BC Transit

2014/15
ANNUAL SERVICE PLAN REPORT

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Board Chair's Message and Accountability Statement

In 2014/15, BC Transit continued to provide quality and effective services for its customers and value for taxpayers and funding partners. While there was some modest service expansion, much of the focus this past year was on optimizing existing services and achieving cost efficiencies.

By targeting our resources to best meet customer demand, we were able to grow ridership across the province while still containing costs. As a result, several communities saw significant ridership increases including Summerland, Squamish, Revelstoke, Penticton, Cowichan, Saltspring Island, Fort St. John, Kimberley, Agassiz-Harrison, and Vernon/Coldstream.

Operating costs were below budget this year by $13.3 million (5.6 per cent). This was partially due to the global drop in oil and gas prices. BC Transit's shared services model is a key contributor to controlling costs by driving economies of scale and delivering service efficiencies. Consequently, BC Transit continues to serve more passengers at a lower operating cost per hour than peer transit systems across the country.

Over the last year, we have worked diligently to improve our business processes and supporting systems. We finalized a new fare strategy aimed at maximizing revenue while still promoting ridership growth. The completion of Transit Future Plans in the Comox Valley and the Okanagan-Similkameen, as well as service reviews in 22 of our transit systems, will guide future planning and investments. In addition, we took delivery of 139 new buses, implemented new scheduling software, enhanced our business continuity program, and finalized the preparatory work necessary to commence an enterprise resource planning system upgrade.

We remain committed to building on the relationships we have established with our local government and operating partners. This past year our partnership satisfaction scores were 6.75 per cent higher than last year. Through this partnership, we have worked together to implement improvements for our customers in a number of communities across the province, including the completion of Phase 2 of the Kelowna RapidBus project, Phase 1 of the transit priority lanes on Douglas Street in Victoria, completion of the custom registration pilot program in Comox and Vernon, and a new online and mobile presence. All of these efforts are reflected in our customer satisfaction scores, which exceeded our target.

As we move into 2015/16, a substantial amount of our fleet and infrastructure will be at or nearing the end of its useful life. In addition, inflationary pressures on wages, supplies, maintenance, and other costs will make cost containment efforts more challenging. We feel confident that together with our partners, we will be able to effectively address these challenges and continue to provide effective and efficient transit services for our customers and taxpayers.

This letter meets the requirement in the Taxpayer Accountability Principles addendum to the *Government's Letter of Expectations* for completion of an annual Chair letter that reports on BC Transit's performance in relation to the mandate letter. The *BC Transit 2014/15 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2014/15 - 2017/17 Service Plan.* I am accountable for those results as reported.

Kevin Mahoney
Board Chair

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Purpose of the Organization

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation across British Columbia with the exception of the Metro Vancouver areas serviced by TransLink. More than 1.6 million British Columbians in over 130 communities across the province have access to BC Transit local and regional transit services.

BC Transit operates under the *British Columbia Transit Act*, which provides it with a mandate to implement, maintain and operate public transportation systems which support growth, community planning, and economic development. BC Transit's operations reflect the priorities and values of the government and its shareholders—the citizens of B.C.—as outlined in the Taxpayer Accountability Principles.

BC Transit's shared services model helps to ensure the most efficient and effective delivery of transit services across all transit systems. In most Regional Transit Systems, service is provided through a partnership between BC Transit, local government, and a transit management company. Under this partnership model, BC Transit provides a variety of shared services available for all transit systems. BC Transit's collaborative, shared-services partnership model offers value by maximizing efficiency through the use of "common resources," specialization and standardization.

BC Transit's activities include planning, financial management, marketing, asset management, supply chain management, the provision of safety and human resources expertise, and contracting for the operation of transit services. BC Transit also operates the Victoria Regional conventional transit system. The funding of transit service is provided by customer fares and through a partnership of local government and the Province through BC Transit. Information about BC Transit's Corporate Governance is provided in Appendix B.

Strategic Direction and Context

Strategic Direction

BC Transit's strategic direction, as defined in the 2014/15 *Government's Letter of Expectations* and *Taxpayer Accountability Principles Addendum Letter*, was to provide transit services that assisted the Ministry of Transportation and Infrastructure (the Ministry) in achieving the goals and objectives of the *Provincial Transit Plan* in collaboration with local government partners and subject to fiscal-funding allocations and local government affordability. BC Transit's performance measures align with an ongoing commitment to the Taxpayer Accountability Principles, and reflect provincial values of cost-consciousness, corporate accountability, appropriate compensation, service outcomes, respect, and integrity.

Strategic Context

This year saw slight improvement in the global economic outlook matched by specific challenges and uncertainty in the national economy. Instability in the Canadian dollar created challenges with respect to the procurement of replacement bus parts, many of which are manufactured in the United States. While falling oil and gas prices in 2014/15 resulted in operating cost savings, the drop in gas prices was also capitalized upon through a strategic procurement strategy.

Demand for transit service continues to increase, with responsive service expansion in several communities across the province. This year also had a strong focus on service optimization, with existing resources reallocated as appropriate to meet changing customer expectations.

Customers continued to expect increased access to timely information and services. A key element in BC Transit's effort to meet these increasing expectations was the roll-out of a new mobile-friendly, customer-focused website which provided an affordable opportunity to improve its ability to connect successfully with customers.

Aging infrastructure, including buses, facilities and information systems also affected the operating context. Much of the bus fleet will require replacement in the next five years, and as such, maintenance requirements remained high. Many facilities are approaching or exceeding capacity, including BC Transit's core financial and asset management information system which must be replaced.

BC Transit's emphasis upon administrative cost containment means the organization continued to operate with a lean corporate staff. To ensure its personnel are appropriately supported and that the organization is focused on staff continuity and retention, BC Transit continued its roll-out of a new Human Resources Action Plan.

As part of BC Transit's focus on continuous improvement, some of its strategies, performance measures and targets were updated in the *2014/15-2016/17 Service Plan* to reflect the current business environment and best practices. Of particular interest among these new performance measures, BC Transit delivered 99.9% of trips as scheduled in conventional transit systems in 2014/15.

Report on Performance

BC Transit's performance in 2014/15 was conducted in accordance with the specific accountabilities prescribed in the *Government's Letter of Expectations*. BC Transit developed a three-year annual operating budget and a ten-year capital budget, which were shared with the Ministry in October 2014, and worked with the Ministry throughout the year to ensure that financial targets were achieved, reporting requirements as identified in the Ministry-BC Transit contribution agreements were met, quarterly forecasts were accurately reported, and that BC Transit's expenditures in 2014/15 did not exceed budget.

In addition, BC Transit implemented enhanced performance measures and targets which aligned with, and aided in the achievement of, the goals and strategies documented in the *2014/15 - 2016/17 Service Plan*. BC Transit also worked with the Ministry to develop performance expectations with regard to the above noted goals, objectives, strategies, and polices, and continued to implement the strategic policy priorities of government, including direction flowing from the 2012 BC Transit Independent Review.

BC Transit has made substantial progress in addressing the actions prescribed in the Taxpayer Accountability Principles (TAP). BC Transit's Board of Directors adopted the TAP Addendum in August 2014, making these principles the foundation of operations throughout BC Transit; and the organization adopted a revised comprehensive Code of Conduct in December 2014, incorporating government guidance.

During this transitional year, BC Transit has worked to ensure the principles outlined in TAP have been incorporated. BC Transit will continue to identify additional performance metrics as required and formalize an evaluation plan in the coming months.

Goals, Strategies, Measures, and Targets

This performance report highlights BC Transit's results achieved for the fiscal year ending March 31, 2015. The five goals presented in this section are unchanged from the previous Annual Report and the *2014/15-2016/17 Service Plan*. These goals were first published in *Shaping our Future*, BC Transit's strategic plan developed in response to the 2008 *Provincial Transit Plan*.

Where appropriate, metrics identified in the *2014/15-2016/17 Service Plan* were differentiated between conventional and custom services as operating models differ between these transit types; therefore, expectations regarding performance and trends will be unique for each type of service. See Appendix B for a complete listing of the measures as well as definitions and calculation methodologies for these measures.

Goal 1: Develop Financial Sustainability

Sustainable long-term revenue sources are fundamental to the ability of BC Transit to deliver on its mandate now and into the future. Since more than two thirds of total revenues come from provincial and local government sources, the viability of transit services is directly linked to financial support from these levels of government.

Strategies

The following Strategies, from the *2014/15 – 2016/17 Service Plan*, describe specifically how BC Transit planned to accomplish Goal 1:

- Provide effective transit services that are used by the public.
- Renew and revise fare-based revenue sources and systems to reflect changing ridership patterns and reduce fare evasion.
- Develop and take advantage of non-fare-based revenue opportunities.
- Improve cost control, communication and monitoring processes to mitigate cost volatility, maximize efficiencies, and reduce costs.

Performance Measure: Conventional passenger trips per service hour.

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Conventional passenger trips per service hour*	N/A	28.2	27.6	27.3	27.3

Data Source: BC Transit internal tracking data.

* This is a new measure introduced in the *2014/15 - 2016/17 Service Plan* to demonstrate the effectiveness of BC Transit's services as reflected by passengers per service hour. Accordingly, results for 2013/14 have not been reported.

Discussion: *Substantially met*. This ratio indicates the level of effectiveness of, and the demand for, transit services as provided. More demand for services as provided will result in

an increase of passenger trips per service hour. This result reflects an underutilization of service in the fall in relation to a delayed start to the public school year, and a drop in gasoline prices which enhanced the attractiveness of personal automobiles.

Performance Measure: Custom passenger trips per service hour.

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Custom passenger trips per service hour*	N/A	4.1	4.1	4.1	4.1

Data Source: BC Transit internal tracking data.

* This is a new measure introduced in the *2014/15 - 2016/17 Service Plan* to demonstrate the effectiveness of BC Transit's services as reflected by passengers per service hour. Accordingly, results for 2013/14 have not been reported.

Discussion: *Target met.* This ratio indicates the level of effectiveness of, and the demand for, transit services as provided. It is important to note that because custom transit has the goal of providing service area coverage and accessibility to those who cannot access fixed route service, it is unlikely to have high passenger per service hour results. These results reflect ongoing efforts to promote the accessibility of conventional service though programs such as the custom transit registration pilots in Vernon and the Comox Valley.

Performance Measure: Conventional operating cost recovery.

Performance Measure	2011/12 Actual*	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Conventional operating cost recovery	N/A	37.4%	36.2%	34.8%	35.1%	32.8%	30.7%

Data Source: BC Transit financial system and audited financial statements.

* An actual measure for 2011/12 is not reported because operating cost recovery was not broken out by conventional and custom systems that year.

Discussion: *Target met.* This ratio indicates the proportion of costs recovered from passenger and advertising revenue within conventional transit. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. This result was due to realized savings in fuel costs, a prudent commodity risk management program, and ongoing service efficiencies.

Performance Measure: Custom operating cost recovery.

Performance Measure	2011/12 Actual*	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Custom operating cost recovery	N/A	10.7%	10.0%	9.9%	9.6%	8.9%	8.6%

Data Source: BC Transit financial system and audited financial statements.

* An actual measure for 2011/12 is not reported because operating cost recovery was not broken out by conventional and custom systems that year.

Discussion: *Substantially met.* This ratio indicates the proportion of costs recovered from passenger and advertising revenue within custom transit. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. The cost to provide custom services is extremely

high, and capacity constraints in some locations can make it challenging to increase ridership. Results reflect lower than expected revenue yields in some paratransit systems. BC Transit will continue to work with its local government partners to identify effective fare strategies.

Performance Measure: Conventional operating cost per passenger trip.

Performance Measure	2011/12 Actual*	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Conventional operating cost per passenger trip	N/A	$3.65	$3.73	$3.85	$3.84	$4.07	$4.30

Data Source: BC Transit financial system and audited financial statements.

* An actual measure for 2011/12 is not reported because operating cost recovery was not broken out by conventional and custom systems that year.

Discussion: *Target met.* This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Increasing cost per passenger trip indicates that costs are growing faster than ridership. This result reflects a decrease in actual operating costs due to the decline in fuel prices, as well as realized service efficiencies, combined with a slight increase in ridership.

Performance Measure: Custom operating cost per passenger trip.

Performance Measure	2011/12 Actual*	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Custom operating cost per passenger trip	N/A	$14.32	$15.21	$16.02	$15.77	$16.85	$17.60

Data Source: BC Transit financial system and audited financial statements.

* An actual measure for 2011/12 is not reported because operating cost recovery was not broken out by conventional and custom systems that year.

Discussion: *Target met.* This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Increasing cost per passenger indicates that costs are growing faster than ridership. This result indicates an improvement in the efficiency of transit expenditures directed toward custom passengers carried.

Goal 2: Support and Shape Livable Communities

BC Transit supports more livable communities, a goal of the *Provincial Transit Plan*, by encouraging transit-supportive community planning and investments to make it easier to get around by walking, cycling and transit. Greater integration between land use development and transit planning enables greener, more sustainable communities and improves the efficiency of transit services and related infrastructure.

Strategies

The following Strategies, from the *2014/15 – 2016/17 Service Plan*, describe specifically how BC Transit planned to accomplish Goal 2:

- Increase integration with other types of sustainable travel to enhance transportation options and make it easier for the public to link to transit services.
- Work with partners to influence land use development patterns that encourage walking and cycling, and increase the effectiveness of transit.
- Identify and establish priority corridors for transit.
- Review services on an on-going basis to identify and recommend opportunities for continuous improvement.

Performance Measure: Major urban centers with Transit Future Plans completed.

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Major urban centers with Transit Future Plans completed	29%	50%	79%	93%	93%	100%	100%

Data Source: BC Transit internal tracking data.

Discussion: *Target met.* The proportion of Transit Future Plans completed in major urban centers included the successful completion of plans in Comox Valley and Okanagan-Similkameen in 2014/15.

A Transit Future Plan is a key tool for working with local partners to influence land use development patterns that encourage walking and cycling and increase the effectiveness of transit through increased density. The Transit Future Plan serves as a guide for future investments in transit services and infrastructure.

Performance Measure: Percentage of communities with a service optimization review completed in the past five years.

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percentage of communities with a service optimization review completed in the past five years*	N/A	75%	93%	85%	85%

Data Source: BC Transit internal tracking data.

* This is a new measure introduced in the *2014/15 - 2016/17 Service Plan* to demonstrate the effectiveness of BC Transit's ability to provide timely planning expertise and evidence-based recommendations to communities with regards to their transit systems. Accordingly, results for 2013/14 have not been reported.

Discussion: *Target met.* The proportion of communities with service optimization reviews completed in the past five years included the 2014/15 completion of major service reviews in the Westshore (Victoria Regional), Kelowna Regional, Central Fraser Valley, Kamloops, Cowichan Valley, Powell River and Salt Spring Island, as well as service analysis and plans for the Fraser Valley Express (Chilliwack-Abbotsford-Langley), Agassiz-Harrision, Terrace, Prince Rupert, Port Edward, Okanagan Falls (Okanagan-Similkameen), Ellison (Kelowna Regional), Campbell River, Comox Valley, Sunshine Coast, West Kootenay, 100 Mile House, Prince George, Squamish and the Southern Gulf Islands portion of the Capital Regional District.

A service optimization review is a key tool for identifying potential increases in transit system efficiency and effectiveness which, when conducted regularly, provides opportunites for continuous improvement of transit services.

Goal 3: Change the Perception of Transit

Implicit in Goals 1 and 2 is the need for effective communication and marketing. To keep existing customers and attract new ones, BC Transit must market its services in competition with other modes of transportation and reach out to customers in new ways, such as through social media. To help build livable communities, BC Transit must connect with various community and stakeholder groups to build awareness of, and support for, public transportation as an important part of creating sustainable, green communities.

Strategies

The following Strategies, from the *2014/15 – 2016/17 Service Plan*, describe specifically how BC Transit planned to accomplish Goal 3:

- Promote sustainable transportation and its role in building sustainable, livable communities.
- Build awareness of BC Transit's services and role as a transportation leader.

Performance Measure: Customer satisfaction.

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Customer satisfaction (on a scale of 1-5)	3.66	3.62	3.68	3.64	3.68	3.62	3.52

Data Source: Annual customer tracking survey, conducted by a third party research firm.

Discussion: *Target met.* Customer satisfaction in 2014/15 exceeded the target , matching or exceeding results from the last four years. This measure tracks the effectiveness of BC Transit in meeting customer expectations. The maintenance of customer satisfaction is the result of proactive service optimizations that targeted resources to meet high customer demand areas, expansions to new areas, and improved services and amenities along key routes such as the Kelowna RapidBus.

Performance Measure: Online communication strategy impact.

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Online communication strategy impact (on a scale of 1-5)†	N/A	3.75	3.85	3.80	3.80

Data Source: Annual customer tracking survey, conducted by a third party research firm.

† This is a new measure introduced in the *2014/15 - 2016/17 Service Plan* to demonstrate the effectiveness of information provided online, which is becoming BC Transit's primary means of providing information to the public. Accordingly, results for 2013/14 have not been reported.

Discussion: *Target met.* This measure tracks the quality, value and effectiveness of BC Transit's information online. In 2014/15, BC Transit unveiled its new customer focused and mobile-friendly online presence, as well as expanded its use of social media platforms and Trip Planner. This has significantly improved the ability to provide customers with timely access to information.

Performance Measure: Brand recognition.

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Brand recognition	26%	29%	28%	30%	30%	28%	27%

Data Source: Annual customer tracking survey, conducted by a third party research firm.

Discussion: *Target met.* The level of brand recognition exceeded the 2013/14 rating by seven per cent. This measure tracks the effectiveness of marketing and communication programs at building awareness of transit and increasing the transit mode share. BC Transit continued to roll out local marketing campaigns, and embarked on provincial marketing campaigns to encourage greater awareness of transit services.

Goal 4: Deliver Operational Excellence

The BC Transit business model is based on developing and delivering safe, reliable, easy to use services that continuously improve through active engagement with employees, customers and partners. These services must continuously adapt and improve to meet the needs of customers, especially in the midst of continuing social, technological and community development change.

Strategies

The following Strategies, from the *2014/15 – 2016/17 Service Plan*, describe specifically how BC Transit planned to accomplish Goal 4:

- Provide accessible service.
- Ensure the safety of employees and customers.
- Monitor and address transit system service reliability and on-time performance.
- Improve customer service and ensure an effective transit system.

Performance Measure: Conventional service hours per capita.

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Conventional service hours per capita*	N/A	1.45	1.44	1.45	1.35

Data Source: Service hours tracked internally by BC Transit; capita data Population is based on the defined service area and uses Census Canada information updated by the latest BC Statistics data.

* This is a new measure introduced in the *2014/15 - 2016/17 Service Plan* to demonstrate how much service is provided to the population that lives within a reasonable distance of service routes. Accordingly, results for 2013/14 have not been reported.

Discussion: *Substantially met*. This measure demonstrates how much service is invested in, and provided to, the population that lives within a reasonable distance of service routes. This result indicates that conventional service hours have not increased as quickly as changes to the service area population. Service expansions in 2014/15 focussed on optimizing existing services to best meet growing demand.

Performance Measure: Custom service hours per capita.

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Custom service hours per capita*	N/A	0.26	0.25	0.25	0.25

Data Source: Service hours tracked internally by BC Transit; capita data population is based on the defined service area and uses Census Canada information updated by the latest BC Statistics data.

* This is a new measure introduced in the *2014/15 - 2016/17 Service Plan* to demonstrate how much service is provided to the population that lives within a reasonable distance of service routes. Accordingly, results for 2013/14 have not been reported.

Discussion: *Substantially met*. This measure demonstrates how much service is invested in, and provided to, the population that lives within a reasonable distance of service routes. This result indicates that custom service hours have not increased as quickly as changes to the service area population. Given an aging population, custom services typically experience high demand and are often oversubscribed.

Performance Measure: Number of passenger injury claims per million passenger trips.

Performance Measure	2011/12 Actual*	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Number of passenger injury claims per million passenger trips	N/A	2.5	1.8	3.0	0.8	2.0	2.0

Data Source: Passenger injury claims as reported by ICBC and internal tracking data.

*An actual measure for 2011/12 is not reported because the calculation of this measure was changed in 2013/14 to reflect passenger injury claims reported to the Insurance Corporation of British Columbia to be consistent with industry standard. Results for 2012/13 were restated accordingly.

Discussion: *Target met*. The number of passenger injury claims for 2014/15 was significantly less than the target of 3.0 and 56% below last year's measure. Over the last 12 months, BC Transit has been promoting a program of awareness around passenger safety which included defensive driving workshops and improved reporting procedures.

Performance Measure: Workplace injuries per 100 employees.

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Workplace injuries per 100 employees*	N/A	7.20	5.14	5.8	5.8

Data Source: BC Transit internal tracking data.

* This is a new measure introduced in the *2014/15 - 2016/17 Service Plan* to demonstrate workplace safety for BC Transit employees. Accordingly, results for 2013/14 have not been reported.

Discussion: *Target met.* Workplace injuries per 100 employees was significantly lower than the target of 7.20. This reflects the continuing success of BC Transit's Certificate of Recognition (COR) injury prevention program which includes supervisor training, health and wellness awareness and consistent occupational safety and health meetings and walk-throughs.

Performance Measure: Percentage of planned service delivered in conventional transit systems.

Performance Measure	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Percentage of planned service delivered in conventional transit systems*	N/A	99.8%	99.9%	99.8%	99.8%

Data Source: BC Transit internal tracking data and reports from operating partners.

* This is a new measure introduced in the *2014/15 - 2016/17 Service Plan* to demonstrate service reliability. Accordingly, results for 2013/14 have not been reported.

Discussion: *Target met.* This measure is important to track, as broken and cancelled trips have a negative impact on the customer experience and the overall perception of transit. Broken and cancelled trips were minimized through BC Transit's ability to manage preventative issues and to respond effectively to emerging challenges on the road.

Goal 5: Strengthen our People and Partnerships[1]

BC Transit's success depends on creating an adaptable, socially responsible organization that lives its values, develops its existing employees and partnerships, and attracts new people and opportunities. This means actively working to improve how employees are attracted and developed, encouraging a culture of innovation and accountability, monitoring environmental, social and economic impacts, and strengthening relationships with local government and other partners.

Strategies

The following Strategies, from the *2014/15 – 2016/17 Service Plan*, describe specifically how BC Transit planned to accomplish Goal 5:

- Increase environmental accountability.
- Be an adaptable workplace of choice.
- Enhance existing partnerships and develop new ones.

[1] Goal 5 was mistakenly described as "Strengthen accountability" and as "Strengthen our accountability, people and partnerships" in some places in the *2014/15 – 2016/17 Service Plan*. At other times in the same document it was correctly identified as "Strengthen our People and Partnerships."

Performance Measure: Carbon intensity per service hour.

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Carbon intensity per service hour	28.64	28.30	28.35	28.91	28.79	28.90	28.95

Data Source: SMARTTool data and BC Transit internal tracking data.

Discussion: *Target met.* This measures the ability of BC Transit to reduce its direct Greenhouse Gas Emissions (GHG). This result reflects the introduction of a full year of operation of 25 Compressed Natural Gas (CNG) buses operating in the Nanaimo Regional Transit System and the continued reduction in GHG emissions as a result of further energy efficiency improvements at facilities.

Performance Measure: Employee engagement.

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Employee engagement	54%	N/A	60%	57%	N/A	62%	N/A

Data Source: BC Stats (BC Transit employee survey).

Discussion: *Not available.* BC Transit did not conduct an Employee Engagement Survey in 2014/15. Surveys are now conducted in the fall of odd-numbered years. The employee engagement score for 2013/14 was 60 per cent, exceeding the 2013/14 target of 56 per cent. The next Employee Engagement Survey is expected to be distributed in the fall of 2015.

Performance Measure: Partner satisfaction.

Performance Measure	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Partner satisfaction (on a scale of 1 to 5)	3.22	3.77	4.00	3.75	4.27	3.70	3.50

Data Source: CivicInfoBC Transit Survey.

Discussion: *Target met.* On average, local government partners rated their overall satisfaction with the level of customer service provided by BC Transit seven per cent higher than last year and 14 per cent higher than the target of 3.75. Improving partner relations continued to be a major priority for BC Transit this year, which has driven the overwhelmingly positive results on this measure.

Management Discussion and Analysis

Dated May 28, 2015

The following is management's discussion and analysis of the consolidated financial position and results of operations for BC Transit as of March 31, 2015. This management discussion and analysis should be read in conjunction with our audited consolidated financial statements and related notes for the years ended March 31, 2015 (fiscal 2014/15) and March 31, 2014 (fiscal 2013/14). Except where indicated, all financial information herein is expressed in thousands and Canadian dollars.

The information provided in the table below is consistent with the presentation in previous years and may be different from the information presented in the audited consolidated financial statements due to the separate disclosure of debt service. Under Canadian public sector accounting standards, costs are allocated by function (operations, maintenance and administration) and include the allocation of debt service. The format of the information presented above is consistent with industry practice and allows for historical and industry benchmarking.

BC Transit

Figures in thousands As at March 31, 2015	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14* Actual	2014/15 Actual	2014/15 Budget	2014/15 Variance Year over Year (Un)Favourable	2014/15 Variance to Budget (Un)Favourable	2015/16 Service Plan	2016/17 Service Plan
Revenue Operations	($)	($)	($)	($)	($)	($)	($)	($)	($)		
Government transfers	60,679	65,127	67,847	67,944	69,192	69,182	71,018	(10)	(1,836)	68,912	64,373
Provincial											
Local government**	79,105	83,971	88,065	89,013	95,415	98,211	103,492	796	(7,281)	103,862	104,112
Deferred capital contributions	60,840	66,793	75,483	76,312	84,984	88,315	95,828	3,331	(7,513)	98,408	105,982
Investment and other income	14,024	30,151	27,183	26,805	38,746	23,449	32,420	(15,297)	(8,971)	27,591	30,511
Total Revenues	4,205	3,404	2,947	4,152	5,219	4,030	3,810	(1,189)	220	4,654	4,886
	218,853	249,446	261,525	266,226	293,556	281,187	306,568	(12,369)	(25,381)	303,427	309,864
Expenses											
Operations											
Operations (excl. fuel)											
Fuel	103,707	113,307	114,236	116,269	124,105	124,105	132,135	-	8,030	131,692	131,268
Total operations	20,318	23,795	28,416	28,392	30,021	27,969	32,248	2,052	4,277	31,201	31,141
	124,025	137,102	142,652	144,661	154,126	152,074	164,381	2,052	12,307	162,893	162,409
Maintenance											
Fleet											
Facilities	30,430	31,230	32,122	33,053	35,824	37,332	39,279	(1,508)	1,947	40,966	41,175
Total maintenance	7,342	6,895	7,253	8,206	8,521	9,776	9,555	(1,255)	(221)	10,268	10,654
	37,772	38,125	39,376	41,259	44,345	47,108	48,834	(2,763)	1,726	51,234	51,829
Administration	20,040	21,457	22,009	21,736	23,455	24,579	23,856	(1,124)	(723)	26,457	26,362
Total operating expenses	181,837	196,684	204,036	207,656	221,926	223,761	237,071	(1,835)	13,310	240,584	240,600
Debt Service											
Interest											
Amortization	7,908	9,153	10,902	11,045	10,794	10,478	13,395	316	2,917	11,380	12,698
	28,269	46,644	47,218	47,739	60,597	46,372	56,102	14,225	9,730	51,463	56,566
Total Expenses	36,177	55,797	58,120	58,784	71,391	56,850	69,497	14,541	12,647	62,843	69,264
	218,014	252,481	262,156	266,439	293,317	280,611	306,568	12,706	25,957	303,427	309,864
Net Income (Loss) from Operations	**839**	**(3,035)**	**(631)**	**(213)**	**239**	**576**	**-**	**337**	**576**	**-**	**-**
Non-Operating Items:											
Vancouver assets Amortization expense Deferred capital contributions	(32,654)	(32,654)	(32,654)	(14,769)	(15,010)	(15,187)	(14,773)	(177)	(414)	(14,924)	(14,924)
Disposal and impairment of capital assets	31,242	31,242	31,242	14,340	14,561	14,757	14,773	176	(16)	14,924	14,924
Impairment of capital assets											
Loss on disposal of capital assets	-	-	-	-	-	(4,600)	-	(4,600)	(4,600)	-	-
Deferred capital contributions	-	-	-	(370)	-	(716)	-	(716)	(716)	-	-
Provincial government transfers	-	-	-	-	-	2,881	-	2,881	2,881	-	-
Other capital recoveries	-	-	-	-	-	1,985	-	1,985	1,985	-	-
Other income	-	242	11	-	16	450	-	434	450	-	-
Gain (loss) on investments and foreign exchange	18	-	-	-	-	39	-	39	39	-	-
Total Non-Operating Items	273	375	620	578	699	285	-	(414)	285	-	-
	(1,121)	(795)	(781)	(221)	286	(106)	-	(392)	(106)	-	-
Surplus (deficit) for the year	**(282)**	**(3,830)**	**(1,412)**	**(434)**	**525**	**470**	**-**	**(55)**	**470**	**-**	**-**
Capital expenditures											
Vehicle											
Non-Vehicle	122,823	12,394	10,474	29,871	39,386	49,405	64,485	(10,019)	15,080	57,515	68,418
	28,094	26,846	27,687	17,760	40,027	33,807	71,798	6,220	37,991	61,356	68,675
	150,917	39,240	38,161	47,631	79,413	83,212	136,283	(3,799)	53,071	118,871	137,093
Total Liabilities											
Accumulated Surplus	1,134,550	1,117,760	1,121,722	1,107,356	1,094,608	1,104,989	1,178,631	(10,381)	73,642	1,202,041	1,290,878
	59,924	56,878	59,071	60,268	60,657	68,088	55,646	7,431	12,442	60,282	59,852

Financial Overview

Total operating expenses (excluding debt service) for the year ending March 31, 2015 were $223.8 million, an increase of $1.8 million over 2013/14 and $13.3 million lower than budget. Cost efficiency, as measured on a cost per hour basis, was favourable to budget by 4.5 per cent and decreased year-over-year by 0.7 per cent. The improvement in cost efficiency from fiscal 2013/14 and budget reflects management's continued focus to contain costs and improve cost efficiency, as well as saving through lower than anticipated fuel costs.

The total operating expense increase over fiscal 2013/14 can be attributed to the addition of 33,700 service hours, planning costs associated with a new enterprise resource management system, the successful implementation of a natural gas compression and fueling facility in Nanaimo, and the result of inflationary pressures on materials, wages and benefits.

The total operating expense decrease from budget can be attributed to scheduling efficiencies and delayed service implementations, a reduction in third party contracted operations management costs, savings in fuel due to a significant drop in diesel prices, the deployment of CNG buses in Nanaimo and a prudent commodity price risk management program.

Debt service (interest and amortization) for the year ending March 31, 2015, was $56.9 million, a decrease of $14.5 million from fiscal 2013/14 and $12.7 million lower than budget. The decrease over fiscal 2013/14 and budget can be attributed to relatively lower levels of capital investment, lower interest costs as a result of a management strategy to utilize the company's cash position to fund tangible capital asset additions and defer the immediate need for fiscal agency loans, and the completion of the Hydrogen Fuel Cell Demonstration (HFC) Project on March 31, 2014.

Total revenues for the year ending March 31, 2015 were $281.2 million, a decrease of $12.4 million from fiscal 2013/14 and $25.4 million lower than budget. The driving factor for a decrease in total revenue from fiscal 2013/14 and budget can be attributed to aligning the amortization on the HFC Project's hydrogen fuel station and fueling components. Because the completion date of the HFC Project was determined after the fiscal 2014/15 service plan issuance, amortization and deferred capital contributions were included in the budget.

Passenger Trips and Service Hours

Changes in passenger trips are strongly correlated with changes in service hours but are also impacted by other factors including service frequency and reliability, fare changes, investments in public transit (transit exchanges, park & rides and technology) and general economic conditions such as employment, demographic, economic development, fuel prices and population changes.

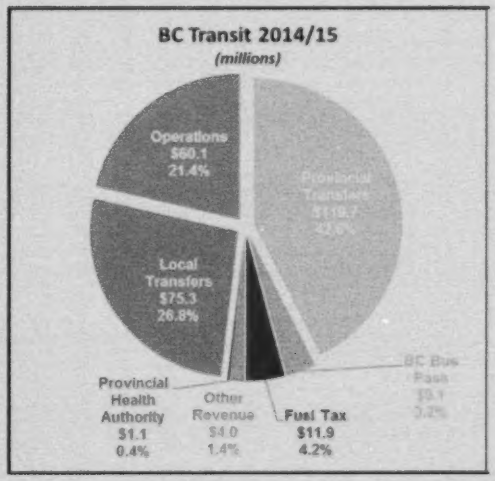
Total system passenger trips overall across the province were slightly below relative service hour growth with a year-over-year increase of 0.2 per cent, and lower than budget by 2.7 per cent. The Victoria Regional Transit System (VRTS) passenger trips increased year-over-year by 0.8 per cent and Regional Transit Systems' (RTS) passenger trips decreased year-over-year by 0.3 per cent.

Total service hours delivered increased year-over-year by 33,700 hours or 1.5 per cent, although they were 1.1 per cent lower than budgeted levels. Service hours were below budget due to timing of service expansions, reduction in school trips associated with a delay in school start up in the fall, and fewer handyDART hours primarily related to deferred and unutilized service.

Demand for transit improvements continue to remain and notable service hour increases occurred in 17 communities which contributed to increased passenger trips in over 25 communities.

Over the last year, BC Transit worked with local government partners on several short and long-term planning initiatives that would ensure transit systems were effectively structured to meet the needs of customers, as well as encourage new ridership. Transit Future Plans, which align local land use plans and decision making with investments in transit services and infrastructure, were completed in the Comox Valley and Okanagan-Similkameen. Service optimization reviews were completed in 22 transit systems.

Total Revenue



Transit service is primarily funded through two funding parties: the Provincial and Local Governments. Provincial operating transfers per capita are the highest level of funding commitment in Canada and are based on legislated cost share formulae for both operating and capital expenditures.

Reconciliation to Consolidated Statement of Operations

Operations revenue = Operations + BC Bus Pass
Provincial government transfers = Provincial transfers
Local government transfers = Local transfers + Provincial Health Authority + Fuel tax
Deferred capital contributions = Provincial transfers
Investment and other Income = Other Revenue

Operations Revenue

Operations revenue (passenger and advertising, including BC Bus Pass) for the year ending March 31, 2015 was $69.2 million, consistent with fiscal 2013/14, and was $1.8 million lower than budget. The $1.8 million decrease from budget can be attributed to the actual delivery of lower than anticipated service hours. Service hours were below budget due to timing of service expansions, reduction in school trips due to labour disruption in the fall, and lower than budgeted handyDART hours.

Government Transfers

Provincial

The Provincial operating transfer for the year ending March 31, 2015 was $96.2 million, consistent with fiscal 2013/14, and $7.3 million lower than budget. The decrease from budget can be attributed to the delivery of less service hours than budgeted, a reduction in third party contracted operations management costs, savings in fuel due to a significant drop in diesel prices, and the positive results of BC Transit's commodity price risk management program.

Local Government

Local government transfers were $88.3 million, an increase of $3.3 million over fiscal 2013/14, and $7.5 million below budget. The increase over fiscal 2013/14 was a result of operating expenses outpacing increases in operating revenues. The variance from budget can be attributed to a reduction of 26,000 service hours due to scheduling efficiencies and deferral of planned expansions. Further savings were achieved through reductions in third party contracted operations management costs and savings in fuel due to a significant drop in diesel prices and BC Transit's commodity price risk management program.

Deferred Capital Contributions

The Provincial & Federal amortization of deferred capital contributions were $23.5 million, a decrease of $15.3 million over fiscal 2013/14, and $9.0 million below budget. The decrease over prior year and budget can be attributed to aligning the amortization on the hydrogen fuel station and fuel components with the completion of the HFC Project effective March 31, 2014. Completion of the demonstration resulted in additional amortization and deferred capital contributions being recorded. Further because the completion date of the Project was determined after the fiscal 2014/15 service plan issuance that resulted in amortization and deferred capital contributions being included in the budget.

Investment and Other Income

Investment and other income for the year ending March 31, 2015 was $4.0 million, a decrease of $1.2 million over fiscal 2013/14, and consistent with the 2014/15 budget. This balance consists of strategic properties held for long-term transit development which are being leased in the short-term, commercial revenues associated with a bus lease to the Greater Victoria Harbor Authority, interest earned on sinking funds, and other miscellaneous income.

The $1.2 million decrease is primarily related to unusual costs incurred in fiscal 2013/14 associated with legal costs against BC Transit for a vehicular accident. The legal judgment against BC Transit resulted in $1.0 million being withdrawn from the Transportation Property and Casualty reserve fund and recognized as other income to cover the costs of this settlement.

Total Operating Expenses

Total operating expenses are defined as the sum of all costs associated with the operation, maintenance and administration of transit service, excluding amortization and interest on debt for capital expenditures. Total operating expenses for the year ending March 31, 2015 were $223.8 million, an increase of $1.8 million over 2013/14 and $13.3 million lower than budget.

The total operating expense increase over fiscal 2013/14 can be attributed to an expansion of 33,700 service hours, planning costs associated with a new enterprise resource management system, the successful implementation of a natural gas compression and fueling facility in Nanaimo, and inflationary pressures on materials, wages and benefits. These increases were offset against savings in fuel due to a significant drop in diesel prices and the results of BC Transit's commodity price risk management program, and a one-time expenditure of $1 million legal cost recorded in fiscal 2013/14.

The total operating expense decrease from budget can be attributed to the delivery of lower than anticipated service hours, lower than budgeted third party contracted operations management costs, fuel savings due to a significant drop in diesel prices, and BC Transit's commodity price risk management program.

Cost efficiency, as measured on a cost per hour basis, was favourable to budget by 4.5 per cent and decreased year-over-year by 0.7 per cent. The decrease from fiscal 2013/14 and budget reflects management's continued focus to contain costs and pursue cost efficiency measures.

Operations Expense

Operations expenses (excluding fuel) for the year ending March 31, 2015 were $124.1 million, consistent with 2013/14 and $8.0 million lower than budget. Operations costs include the costs required to operate and manage transit systems and include operator wages and benefits, third party contracted operations, and other operational costs. Operations expenses were consistent with fiscal 2013/14 caused by an expansion in service hours of 33,700 hours in fiscal 2014/15 offset against a $1 million legal cost against BC Transit for a vehicular accident in fiscal 2013/14 and completion of the Hydrogen Fuel Cell Project as at March 31, 2014. Operations expenses were lower than budget due to scheduling efficiencies and deferred service expansions resulting in a reduction of 26,000 service hours, and favorable third party contracted operations costs.

Fuel Expense

Fuel expense for the year ending March 31, 2015 was $28.0 million, a decrease of $2.1 million over fiscal 2013/14 and $4.3 million lower than budget. The decrease from fiscal 2013/14 and the budget can be attributed to a successful commodity price risk management program, implementation of new compressed natural gas buses, and the weakening price in diesel fuel caused by the global shock in crude oil prices.

Management mitigates fuel price volatility and price increases through two primary methods. Firstly, by aggregating BC Transit's provincial fuel volumes under a successful fuel procurement process, BC Transit receives an annual average volume discount from posted rack rates for volume purchases. Management also has a commodity price risk management program whereby it locks-in fixed price physical contracts.

Given volatility of pricing, management continuously monitored opportunities to lock into fixed price arrangements and was able to enter into fixed price physical delivery agreements providing budget stability. As a result, 37 per cent of total fuel volume was fixed at an average price of $1.19 per litre. Management continues to explore other strategies to manage the cost pressure and volatility associated with fuel prices including strategic partnerships, developing reserves, alternative technologies and financial hedging.

As at the date of this report, approximately 16 per cent of total estimated fuel consumption for 2015/16 is now under fixed price agreements at a blended price of $1.24 per litre. This is $0.01 per litre under the 2015/16 fuel pricing budget. This achieves both budget savings and stability for both provincial and local funding partners.

Maintenance Expense

Fleet Maintenance

Fleet maintenance expenses (excluding facilities maintenance) for the year ending March 31, 2015 were $37.3 million, an increase of $1.5 million over fiscal 2013/14 and $1.9 million lower than budget. The increase over fiscal 2013/14 is attributed primarily to inflationary pressures on materials, wages and benefits. The favourable variance from budget is primarily attributable to lower than anticipated service hours and an ongoing focus to reduce costs through regular fleet inspections throughout the province, major capital maintenance program, preventative maintenance, and warranty recoveries.

Fleet maintenance expenditures are a function of expansion, inflationary costs, fleet age and fleet diversity. Maintenance costs for running repairs, major component overhauls and mid-life tune-ups are largely a function of the age of the fleet, increasing costs of parts, labour and outside service providers, and the technological complexity of newer vehicles (including increasingly stringent environmental standards). Maintenance costs are also impacted by the exchange rates, higher shipping costs, diminishing options in the supply chain network, and base commodity costs. Most parts originate from American or European suppliers. BC Transit's fleet replacement and expansion capital plan will in part mitigate some of these cost pressures in future years.

As at March 31, 2015, BC Transit had 1,059 buses in service. The fleet is comprised of 69 high capacity buses, 487 heavy duty buses, 140 medium duty buses, and 363 light duty buses. At the time of this report:

- High capacity buses have an amortization period of 20 years;
- Heavy duty buses have an amortized life of 13 or 20 years;
- Medium duty buses have an amortized life of 10 or 17 years; and,
- Light duty buses have an amortized life of 5 years.

For heavy duty buses purchased in 2009 or later and medium duty buses purchased after 2014, 13 and 10 year useful lives, respectively, have been adopted consistent with industry standard

The fleet replacement plan indicates that 50 per cent of the fleet will require replacement over the next five years. Maintenance costs for older fleets increase significantly as they near the end of their useful life. However, depending on the costs of major capital investment, life cycle analysis can indicate it is still economical to maintain these vehicles rather than replace them outright and incur write-offs and accelerated debt service charges. Environmental performance and passenger comfort requirements have also created a more diverse transit fleet, contributing to higher parts costs and resource demands.

To best manage and maintain the fleet, management has developed a Long Range Maintenance Plan (LRMP). The LRMP includes analysis of the existing and planned future fleet, maintenance requirements, capacity and labour constraints and funding requirements. Future fleet maintenance will be conducted under the LRMP to ensure the most efficient and effective use of assets. It is a maintenance program that is proactive rather than reactive in nature. Asset componentization continues to be management's approach to managing vehicle assets as component-based capitalization and amortization more accurately reflects asset capitalization principles and the useful life of the LRMP expenditures.

Facilities Maintenance

Facilities maintenance expenses for the year ending March 31, 2015 were $9.8 million, an increase of $1.3 million over fiscal 2013/14 and $0.2 million higher than budget. The increase over fiscal 2013/14 can be attributed primarily to a new compressed natural gas (CNG) fueling station constructed in Nanaimo to accommodate the delivery of 25 new CNG buses. The increase over budget is attributed primarily to an unanticipated one-time facility upgrade cost associated with the CNG fueling station also in Nanaimo.

Many of BC Transit's facilities are near the end of their useful lives and require increasing repair and modifications to meet the physical requirements of expanding service levels. In addition, a number of facilities are at or operating beyond capacity which is a driver for maintenance costs and future facilities expansion.

Replacement or expansion of an operations and maintenance facility is a large step function that is often a challenge for local government partners who are balancing competing asset investment requirements.

Strategic planning initiatives have been completed for the Victoria, Kelowna, Campbell River and Fort St. John regions. Facilities Master Plans identify bus parking, maintenance and storage growth projections, provide options for maximizing the capacity and efficiency of existing facilities, and identify recommendations for the construction of future infrastructure requirements.

As consultation with local government partners occurs and affordability permits, the capital plan will be updated to reflect individual construction projects identified within the Master Plans.

Administration Expense

Total administrative expenses for the year ending March 31, 2015 were $24.6 million, an increase of $1.1 million over fiscal 2013/14 and $0.7 million higher than budget. The increases over fiscal 2013/14 and budget can be attributed to costs incurred for the planning stages of BC Transit's new Enterprise Resource Planning system. These were originally anticipated to be capital expenditures but they have now been deemed operating expenditures.

Administrative costs include supporting shared services for all transit systems. BC Transit provides a wide range of management services that benefit all of transit systems throughout the province. The shared services model:

- Pools expertise and capacity in areas such as planning, financial management and reporting;
- Provides an opportunity to lower costs through bulk purchases of supplies and assets, such as fuel, inventory and buses;
- Provides efficiencies in contract management for third party contract management companies; and
- Manages the distribution of provincial and local government funding.

Administrative costs face on-going pressures, many of which include increasing requirements for technology support and services and increasing costs associated with employee future benefits. Other cost drivers are regulatory, including compliance with increasing environmental, procurement, accounting and legal standards. Regardless of these cost pressures, BC Transit's cost efficiency benchmarks are well below national averages, primarily due to the shared services business model.

BC Transit will continue to leverage the strength of the shared services model and achieve greater operational, capital and financial efficiencies as it continues to experience significant demand for both public transit and shared services expertise.

Debt Service

Debt service (interest and amortization) for the year ending March 31, 2015 was $56.9 million, a decrease of $14.5 million over fiscal 2013/14 and $12.6 million lower than budget. The decrease over fiscal 2013/14 and budget can be attributed to relatively lower levels of capital investment, lower interest costs as a result of a management strategy to utilize the company's cash position to fund tangible capital asset additions and defer the immediate need for fiscal agency loans, and the completion of the Hydrogen Fuel Cell Project on March 31, 2014. In fiscal 2013/14 the completion of the Hydrogen Fuel Cell Project resulted in additional amortization being recorded. Further because the completion date of the Project was determined after the fiscal 2014/15 service plan issuance, amortization and deferred capital contributions were included in the budget.

Non-Operating Items

Total non-operating items for the year ending March 31, 2015 were $0.1 million, an increase in net expenditure of $0.4 million over fiscal 2013/14 and $0.1 million higher than budget. The increases over fiscal 2013/14 and budget can be attributed to the alignment of accumulated amortization to reflect the completion of the Hydrogen Fuel Cell Project effective March 31, 2014. As at year end

March 31, 2015, the book value of the fuel cell buses were impaired to align with the expected net realizable value of $1 million, recognizing a $4.6 million impairment. Additionally, $0.7 million was recognized on the disposal of capital assets that no longer have service potential.

Capital Expenditures

The capital program and its related financing is a major Consolidated Statement of Financial Position driver. Under the *British Columbia Transit Act*, the Province provides deferred capital contributions based on the cost sharing percentages identified in the British Columbia Transit Regulation and the local government's share is funded through debt obtained by BC Transit. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request. Debt service costs are recovered from local government partners through annual lease fees.

The 2014/15 capital program focused primarily on the acquisition of replacement buses, including the successful implementation of 25 compressed natural gas (CNG) fuelled buses in Nanaimo, and continued work towards the implementation of 25 additional CNG fuelled buses in Kamloops. Significant expenditures were also incurred on the continued refurbishment of existing vehicles and the replacement of key components, including transmissions, engines, and differentials. Major construction also continued on the Kelowna RapidBus project, the Kamloops CNG fueling facility, and the completion of two transit exchanges. Implementation also continued on the upgrade of BC Transit's corporate website, extranet, intranet, and core scheduling software.

The 2015/16 BC Transit Managed Capital Plan aligns with the *2015/16 – 2017/18 Service Plan*, and includes all projects that are directly managed by BC Transit. On May 14, 2015, Bill-2, *BC Transportation Financing Authority Transit Assets and Liabilities Act*, was granted Royal Assent, effective May 21, 2015. The Act calls for the transfer of all of BC Transit's tangible capital assets under lease to the BC Transportation Financing Authority.

The BC Transit Managed Capital Plan includes forecasted expenditures of $220.6 million over the next three years. The Managed Capital Plan is primarily focused on the replacement of core assets required to maintain the existing transit system, with replacement identified as the primary driver for 93 per cent of proposed spending. Vehicle replacement and refurbishment projects account for approximately 71 per cent of the proposed spending; however, significant investment is also planned for facilities in the Victoria Regional Transit System, and for technical infrastructure projects. Technical infrastructure investment will focus on core financial systems, data collection methodologies, and fleet management capabilities. This includes a multi-phased Enterprise Resource Planning project to ensure that future information systems are integrated, supported, and sustainable, while meeting the needs of customers and stakeholders.

Consolidated Statement of Financial Position

Changes in the Consolidated Statement of Financial Position for the year ending March 31, 2015 are listed below:

AS OF MARCH 31, $ (000)'s	2013/14*	2014/15	Variance Year over Year		Explanation of Change
	($)	($)	($)	(%)	
FINANCIAL ASSETS					
Cash and cash equivalents	40,706	38,056	(2,650)	(6.5)	See Consolidated Statement of Cash Flows
Assets available for sale	-	1,000	1,000	100.0	Net recoverable on Hydrogen Chassis (note 9)
Accounts receivable:					
Provincial and federal capital grants	5,088	2,735	(2,353)	(46.2)	UBCM grant for CNG Nanaimo and Kelowna gas tax buses
Local government	14,580	13,622	(958)	(6.6)	Decrease relates to timing of year-end billings
Trade and other	5,706	5,627	(79)	(1.4)	Consistent with prior year
Debt sinking funds	94,127	101,289	7,162	7.6	Increase relates primarily to unrealized gains on debt sinking funds
	160,207	162,329	2,122	1.3	
LIABILITIES					
Accounts payable and accrued liabilities	32,964	40,722	7,758	23.5	Increase relates to capital accruals for Kelowna Rapid Transit project
Provincial funding payable	1,415	1,503	88	6.2	Consistent with prior year
Deferred revenue and contributions	9,228	14,555	5,327	57.7	Increase relates to the temporary difference between debt costs and debt funding
Deferred capital contributions	805,787	819,660	13,873	1.7	Consistent with prior year
Debt	231,140	211,903	(19,237)	(8.3)	Decrease relates to 2014/15 debt repayments
Employee future benefits	14,074	16,646	2,572	18.3	Increase in current benefit cost and event-driven expenses
	1,094,608	1,104,989	10,381	0.9	
NET DEBT	(934,401)	(942,660)	(8,259)	0.9	
NON FINANCIAL ASSETS					
Tangible capital assets	300,713	319,661	18,948	6.3	Increase relates to additions to Kelowna Rapid Transit and new buses
Tangible capital assets under lease	680,194	676,584	(3,610)	(0.5)	Consistent with comparative year
Inventories	8,987	9,353	366	4.1	Consistent with comparative year
Prepaid expenses	1,340	1,509	169	12.6	Consistent with comparative year
Prepaid lease payments	3,824	3,641	(183)	(4.8)	Consistent with comparative year
	995,058	1,010,748	15,690	1.6	
ACCUMULATED SURPLUS					
Accumulated operating surplus	55,296	55,766	470	0.8	Consistent with comparative year
Accumulated remeasurement gains	5,361	12,322	6,961	129.8	Increase relates to unrealized mark-to-market gain on sinking funds and cash and cash equivalents
	60,657	68,088	7,431	12.3	

*Fiscal 2013/14 has been restated due to a correction of an error in the prior period. For more information please see note 3 to the consolidated financial statements

Liquidity and Capital Resources

Cash Flows and Liquidity

Throughout the year ending March 31, 2015, BC Transit utilized its cash position to fund a portion of the tangible capital asset additions. This management strategy deferred the requirement for fiscal agency loans until fiscal 2015/16; therefore, reducing interest on debt in fiscal 2014/15.

The net change in cash and cash equivalents in the year was a cash outflow of $2.6 million (2014 - $29.2 million). Net cash outflow for tangible capital assets was $26 million (2014 – $28 million) being the difference between cash used to acquire tangible capital assets and the deferred capital contributions received. No fiscal agency loans were drawn in the year as a management strategy to reduce interest on debt. The net change in cash from operations significantly increased in fiscal

2014/15 to $42.7 million (2014 – $21.1 million) as a result of changes in non-cash working capital activities. A total of $19.3 million (2014 - $9.6 million) of debt was repaid in the year.

BC Transit is adequately capitalized for 2015/16 between working capital, operating and capital grants, and forecasted new fiscal agency loans in 2015/16 to proceed with its service plan. Management is expecting to acquire new fiscal agency loans in 2015/16 to fund its capital plan and to replenish its cash position.

Debt

Total debt outstanding as at March 31, 2015 is $211.9 million (March 31, 2014 - $231.1 million). Under the *British Columbia Transit Act*, BC Transit is subject to a $500 million borrowing limit. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request. Debt has a weighted average interest rate of 4.7 per cent, maturing at various dates to 2040 and amortized from five to thirty years.

Working Capital Changes

The net increase in working capital for the year ending March 31, 2015 was $18.5 million (2014 - $3.2 decrease). The significant changes in working capital for the year ending March 31, 2015 can be attributed to a decrease in accounts receivable along with increases in accounts payable, accrued liabilities, provincial funding payable, deferred revenue, and employee future benefits. The decrease in accounts receivable relates to the collection of the Kelowna Rapid Transit project receivable from fiscal 2013/14. Accounts payable and accrued liabilities increased due to amounts related to the purchase of new buses and to the Kelowna Rapid Transit project. Deferred contributions increased relating to the timing difference of debt costs and related funding. Lastly, employee future benefits increased due to current service costs incurred in the year. For further information on the changes in working capital, please see note 16 to the consolidated financial statements.

Accumulated Surplus

Accumulated surplus as at March 31, 2015 was $68.1 million, an increase of $7.4 million over fiscal 2013/14. The increase in the accumulated surplus primarily relates to unrealized mark-to-market gains on debt sinking funds due to changes in market interest rates. The British Columbia Investment Management Corporation (bcIMC) provides BC Transit with investment management services, which consist of mandatory sinking funds administered by the debt management branch (DMB), as well as investments of BC Transit's cash equivalents. For Sinking Fund investments, the installments are invested in financial assets which enable the Sinking Fund investments to have a duration which is similar to the underlying debt. Due to the longer term nature of the Sinking Fund investments they are exposed to unrealized fair value moments caused by market conditions. As the Sinking Fund investments are held to maturity any unrealized gain or loss over the term of the debt will be reversed by the maturity date.

bcIMC manages pooled funds that are eligible investments for BC Transit's cash equivalents and debt sinking funds, and that meet BC Transit's investment objectives and risk management standards.

Audited Financial Statements and Auditor's Report

Consolidated Financial Statements of

BRITISH COLUMBIA TRANSIT

Year ended March 31, 2015

MANAGEMENT REPORT

Year ended March 31, 2015

The consolidated financial statements of British Columbia Transit ("BC Transit") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia except in regard to the accounting for government transfers which is based on the Restricted Contributions Regulation 198/2011.

These consolidated financial statements include some amounts based on management's best estimates and careful judgment. A precise determination of assets and liabilities is dependent upon future events and, consequently, the preparation of periodic consolidated financial statements necessarily involves the use of management's judgment in establishing the estimates and approximations used. The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available as at May 28, 2015.

BC Transit's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the conflict of interest policy of all BC Transit officers and employees.

The consolidated financial statements have been examined by the Auditor General of British Columbia, BC Transit's independent external auditors. Their responsibility is to express their opinion whether the consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the Budget Transparency and Accountability Act. The Board of Directors meets regularly with management and the external auditors to satisfy itself that BC Transit's system of internal control is adequate and to ensure that responsibilities for financial reporting are being met.

Management is responsible for all of the information in this Annual port. Financial information el Report ih the d idated financial statements.

Manuel Achadinha
CMA
President and Chief Executive Officer

Date: May 28, 2015

orson, CPA,
ting Vice President, Finance and Chief Financial Officer

Date: May 28, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of British Columbia Transit, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

I have audited the accompanying consolidated financial statements of British Columbia Transit ("the entity"), which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statement of operations, consolidated statement of changes in net debt, consolidated statement of remeasurement gains and losses and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements of British Columbia Transit for the year ended March 31, 2015, are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 2(a) to the consolidated financial statements which discloses that the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia are in accordance with Canadian public sector accounting standards except in regard to the accounting treatment of government transfers. Note 19 to the consolidated financial statements discloses the impact of these differences.

Russ Jones

Victoria, British Columbia
May 28, 2015

Russ Jones, CPA, FCA
Deputy Auditor General

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position
(In thousands of dollars)

March 31, 2015, with comparative figures for March 31, 2014

	March 31, 2015	March 31, 2014 (Restated-note 3)
FINANCIAL ASSETS		
Cash and cash equivalents (note 4)	$ 38,056	$ 40,706
Assets held for sale (note 9)	1,000	
Accounts receivable:		
Provincial and federal capital grants	2,735	5,088
Local government	13,622	14,580
Trade and other	5,627	5,706
Debt sinking funds (note 7)	101,289	94,127
	162,329	160,207
LIABILITIES		
Accounts payable and accrued liabilities	40,722	32,964
Provincial funding payable	1,503	1,415
Deferred revenue and contributions (note 5)	14,555	9,228
Deferred capital contributions (note 6)	819,660	805,787
Debt (note 7)	211,903	231'140
Employee future benefits (note 8)	16,646	14,074
	1,104,989	1,094,608
NET DEBT	$ (942,660)	$ (934,401)
NON FINANCIAL ASSETS		
Tangible capital assets (note 9)	319,661	300,713
Tangible capital assets under lease (note 10)	676,584	680,194
Inventories	9,353	8,987
Prepaid expenses	1,509	1,340
Prepaid lease payments	3,641	3,824
	1,010,748	995,058
ACCUMULATED SURPLUS		
Accumulated operating surplus	55,766	55,296
Accumulated remeasurement gains	12,322	5,361
	$ 68,088	$ 60,657

Commitments and contingencies (notes 12 and 13)

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements

Approved on behalf of the Board:

Kevin Mahoney, Chair
May 28, 2015

Kelly Cairns, Director
May 28, 2015

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations
(In thousands of dollars)

Year ended March 31, 2015, with comparative figures for March 31, 2014

	Budget 2015 (Note 2(i))	March 31, 2015	March 31, 2014 (Restated – note 3)
Revenue:			
Operations	$ 71,018	$ 69,182	$ 69,192
Government transfers:			
Provincial (note 14)	103,492	96,211	95,415
Local government (note 14)	95,828	88,315	84,984
Deferred capital contributions (note 14)	32,420	23,449	38,746
Investment and other income	3,810	4,030	5,219
	306,568	281'187	293,556
Expenses: (note 15)			
Operations	230,799	205,866	222,507
Maintenance	51'111	49,332	46,517
Administration	24,658	25,413	24,293
	306,568	280,611	293,317
Net income from operations		576	239
Other:			
Vancouver Assets:			
Deferred capital contributions (note 6)	14,773	14,757	14,581
Amortization expense (note 10)	(14,773)	(15,187)	(15,010)
Disposal and impairment of capital assets			
Impairment of capital assets (note 9)		(4,600)	
Loss on disposal of capital assets (note 9)		(716)	
Deferred capital contributions		2,881	
Provincial government transfers (note 14)		1,985	
Other capital recoveries		450	16
Other income		39	
Gain on investments		275	706
Foreign exchange gain (loss)		10	(7)
		(106)	286
Surplus for the year		470	525
Accumulated operating surplus, beginning of year	52,290	55,296	54,771
Accumulated operating surplus, end of year	$ 52,290	$ 55,766	$ 55,296

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Change in Net Debt
(In thousands of dollars)

Year ended March 31, 2015, with comparative figures for March 31, 2014

	Budget 2015 (Note 2(i))	March, 31 2015	March 31, 2014 (Restated -note 3)
Surplus for the year	$	$ 470	$ 525
Acquisition of tangible capital assets	(136,919)	(83,212)	(79,413)
Amortization of tangible capital assets	70,875	61,559	75,608
Loss (gain) on sale of tangible capital assets		6,076	(16)
Proceeds on sale of tangible capital assets and assets under lease		240	86
	(66,044)	(14,867)	(3,210)
Acquisition of inventories of parts		(27,537)	(27,380)
Consumption of inventories of parts		27,170	26,728
Acquisition of prepaid expenses		(6,189)	(5,435)
Consumption of prepaid expenses		6,020	5,318
Acquisition of prepaid leases		(118)	(1,223)
Consumption of prepaid leases		301	1,440
		(353)	(552)
Realized (gain) reclassified to operations		(275)	(699)
Unrealized (loss) on portfolio investment		7,236	(2,077)
		6,961	(2,776)
Change in net debt	(66,044)	(8,259)	(6,538)
Net debt, beginning of year	(937,407)	(934,401)	(927,863)
Net debt, end of year	$ (1,003,451)	$ (942,660)	$ (934,401)

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Remeasurement Gains and Losses
(In thousands of dollars)

Years ended March 31, 2015, with comparative figures for March 31, 2014

	March 31, 2015	March 31, 2014
Accumulated remeasurement gains and (losses), beginning of year	$ 5,361	$ 8,137
Unrealized gain (loss) on investments	7,236	(2,077)
Realized (gain) on investments, reclassified to Consolidated Statement of Operations (Gain on investments)	(275)	(699)
Accumulated remeasurement gains and (losses), end of year	$ 12,322	$ 5,361

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Cash Flows
(In thousands of dollars)

Years ended March 31, 2015, with comparative figures for March 31, 2014

	March 31, 2015	March 31, 2014 (Restated -note 3)
Cash provided by (used for):		
Operating activities:		
Annual surplus (deficit)	$ 470	$ 525
Non-cash charges to operations (note 16)	23,693	23,743
Changes in non-cash operating Working capital (note 16)	18,519	(3,178)
Net change in cash from operating activities	42,682	21,090
Capital activities:		
Proceeds from disposal of assets under lease		
Proceeds on sale of tangible capital assets	240	54
Cash used to acquire tangible capital assets and assets under lease	(69,360)	(56,885)
Net change in cash from capital activities	(69,120)	(56,831)
Investing activities:		
Increase in debt sinking funds and investments net of unrealized gain	(201)	(11,474)
Net change in cash from investing activities	(201)	(11,474)
Financing activities:		
Prepaid lease payments	(118)	(1,223)
Debt repaid	(19,275)	(9,604)
Deferred capital contributions received	43,382	28,870
Net change in cash from financing activities	23,989	18,043
Net change in cash and cash equivalents	(2,650)	(29,172)
Cash and cash equivalents, beginning of year	40,706	69,878
Cash and cash equivalents, end of year	$ 38,056	$ 40,706
Supplemental cash flow information:		
Cash paid for interest	$ 10,562	$ 11,026
Cash received from interest	$ 470	$ 692

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements

1. Nature of Operations:

British Columbia Transit ("BC Transit") was established under the *British Columbia Transit Act*, as amended in 1998, to operate the urban transit systems in the Province of British Columbia (the "Province") outside of the Metro Vancouver Regional service area. BC Transit is exempt from income taxes under the *Income Tax Act*.

BC Transit, on behalf of the Victoria Regional Transit Commission, is responsible for the administration of all funds raised by certain tax levies. These funds held in trust are excluded from the consolidated financial statements and are summarized in note 11.

2. Summary of Significant Accounting Policies:

(a) Basis of accounting:

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as required by Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and supplemented by Regulation 198/2011 issued by the Province of British Columbia Treasury Board.

Regulation 198/2011 requires that restricted contributions be recognized as revenue in the period the restriction the contribution is subject to is met, and that restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset, be recognized in revenue at the same rate the amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

Canadian public sector accounting standards require government transfers, which do not contain a stipulation that creates a liability, to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met. The Regulation allows for the deferral of revenue recognition to future years, recognized for non-capital government transfers in the period the restriction the transfer is subject to is met and for capital transfers in income systematically over the useful life of the asset, rather than in the year the transfer was made. This results in differences in Deferred Contributions, Deferred Capital Contributions and Accumulated Operating Surplus on the Consolidated Statement of Financial Position, and the Government transfers revenue and Annual Surplus on the Statement of Operations.

(b) Basis of consolidation:

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by BC Transit. Controlled organizations are consolidated with inter-organizational transactions, balances, and activities eliminated on consolidation.

2. Summary of Significant Accounting Policies (continued):

(b) Basis of consolidation (continued):

(i) Consolidated entities

The following inactive organizations are controlled by BC Transit and are fully consolidated in these financial statements:

TBC Vehicle Management Inc.

TBC Operations Inc.

TBC Properties Inc.

0915866 B.C. Ltd.

0922667 B.C. Ltd.

0925406 B.C. Ltd.

0928624 B.C. Ltd.

(c) Deferred contributions and revenue recognition:

Government transfers received relate to contributions from federal, provincial and local governments to fund capital projects, operating costs, sinking fund and interest payments.

Under Restricted Contributions Regulation 198/2011, government transfers are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stir>lliAtinn nr restriction on the contribution has been met.

See note 19 for the impact of this regulation on these consolidated financial statements.

Transit user charges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and when services have been provided to the users.

(d) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding party or related Act, investment income earned on deferred contributions is added to the investment and forms part of the deferred contributions balance.

2. Summary of Significant Accounting Policies (continued):

(e) Financial instruments:

BC Transit has elected to measure specific financial instruments at fair value, to correspond with how they are evaluated and managed. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified for the duration of the period they are held. Forward contracts to purchase fuel for BC Transit's normal use are not recognized as financial assets in these financial statements and do not need to be fair valued. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available, and are most suitable and appropriate based on the type of financial instrument being valued, in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component ot cost for financial instruments measured using cost or amortized cost.

(i) Cash and cash equivalents:

Cash and cash equivalents include cash in bank and in transit, certificates of deposit and short-term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a term to maturity of 90 days or less at acquisition, are held for the purpose of meeting short term cash commitments rather than for investing, are reported at fair value and measured using a Level 1 valuation.

2. Summary of Significant Accounting Policies (continued):

(e) Financial instruments (continued):

(ii) Accounts receivable:

Accounts receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(iii) Debt sinking funds:

Investments in sinking fund balances consist of pooled investment portfolios and Canadian, Provincial government and Crown Corporation bonds managed by the British Columbia Investment Management Corporation ("bciMC"), a corporation established under the *Public Sector Pension Plans Act*. Sinking fund investments are recorded at fair value and measured using a Level 1 valuation. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments.

(iv) Debt and other financial liabilities:

All debt and other financial liabilities are recorded using cost or amortized cost.

(f) Employee future benefits:

(i) BC Transit and its employees contribute to the Public Service Pension Plan (the "Plan"), a jointly trusteed pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The pension plan is a multi-employer defined benefit plan, together with other British Columbia public service employers, in accordance with the Public Sector Pension Plans Act. The plan provides a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over 5 years. Inflation adjustments are contingent upon available funding.

Multi-employer defined benefit plans follow defined contribution pension plan accounting. Contributions to the plan are recorded as an expense in the year they are made. The joint trustee board of the plan determines the required plan contributions annually. Using this method, employer contribution rates are set out so that, in combination with member contributions, they will fully pay for benefits earned by the typical new entrants to the Plan and will maintain the Plan's unfunded accrual liability for funding purposes, if any, as a constant percentage of employer payrolls.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at March 31, 2014, indicated a surplus of $193,698 for basic pension benefits for all plan employers including BC Transit. The actuary does not attribute portions of the deficit to individual employers.

Total cash payments to the multi-employer plan for employee future benefits for the year ended March 31, 2015 consisting of cash contributed by BC Transit to its multi-employer defined benefit plan was $4,715 (2013/14- $4,706)

2. Summary of Significant Accounting Policies (continued):

(f) Employee future benefits (continued):

(ii) Outside of the Public Service Pension Plan, BC Transit maintains various benefit arrangements available to retired employees including non-pension post-retirement benefits (retiree hospital, drugs, vision, medical, MSP), post-employment benefits (vacation, overtime) and continuation of long term disability benefits. The future obligation under these benefit plans are accrued as the employees render the services necessary to earn the benefit. Management, using an estimate of salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Transit, and the cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime of active employees covered under the plan. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for March 31, 2015.

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets arc amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life- Years
Land	Indefinite- not amortized
Exchanges, shelters, and other transit infrastructure	3-40
Buildings	5-40
Vehicles – including major components	2-20
Hydrogen components and chassis (note 9)	4-10
Hydrogen fuelling station (note 9)	5
Equipment and other capital assets	4-20

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt with a corresponding entry to deferred capital contributions. Tangible capital assets are amortized over their estimated useful lives.

2. Summary of Significant Accounting Policies (continued):

(g) Non-financial assets (continued):

(iii) Interest capitalization:

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets. Interest is capitalized from the date of advance of funds until the assets are available for service.

(iv) Leased tangible capital assets (Vancouver Assets):

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Asset	Useful Life- Years
SkyTrain -transit infrastructure	20- 100
SkyTrain buildings	20
West Coast Express – transit infrastructure	30

(v) Inventories:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(vi) Impairment of tangible capital assets:

BC Transit monitors the recoverability of tangible capital assets. Whenever events or changes in circumstances indicate that the tangible capital asset no longer contributes to the ability to provide transit services or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down to residual value.

(vii) Intangibles:

Intangible assets are not recognized in BC Transit financial statements.

(h) Measurement uncertainty:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Significant measurement uncertainty includes assumptions used in the determination of amortization periods, employee future benefits and estimating provisions for certain accrued liabilities. Actual results could differ from these estimates.

2. Summary of Significant Accounting Policies (continued):

(i) Budget data:

The budget data presented in these consolidated financial statements was included in the 2014/15-2016/17 Service Plans approved by the Board of Directors on January 23, 2014.

U) New Accounting Pronouncements

(i) BC Transit has adopted the standards and interpretations that are relevant to the operations of BC Transit and effective March 31, 2015.

a. Liability for contaminated sites (PS 3260)

Contamination sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

i. An environmental standard exists;
ii. Contamination exceeds the environmental standard;
iii. British Columbia Transit:
    a. is directly responsible; or
    b. accepts responsibility; and
iv. A reasonable estimate of the amount can be made.

The implementation of PS 3260 did not have material impact to BC Transit's consolidated financial statements.

(ii) Standards and interpretations issued that are relevant to the operations of BC Transit, but not yet effective include:

a. Related Party Disclosures (PS 2200)

This new Section defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements. This standard applies to fiscal years beginning on or after April 1, 2017, earlier adoption is permitted.

The adoption of this standard is not expected to have a material impact to BC Transit's consolidated financial statements.

b. Inter-entiW Transactions (PS 3420)

This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This Section applies to fiscal years beginning on or after April 1, 2017, earlier adoption is permitted.

2. Summary of Significant Accounting Policies (continued):

U) New Accounting Pronouncements (continued)

The adoption of this standard is not expected to have a material impact to BC Transit's consolidated financial statements.

3. Correction of Prior Period Error:

During the year, management ascertained that its liability for employee future benefits for prior years was misstated. As a result, the accumulated operating surplus, benefits expense and liability for April1, 2013 and March 31, 2014 have been restated.

The impact of the correction of prior period errors is presented below

(i) Consolidated Statement of Financial Position

	March 31, 2014		
	As previously Reported	Cumulative Correction	Restated
Employee Future Benefits	$ 17,080	$ (3,006)	$ 14,074

	April 1, 2013		
	As previously reported	Correction	Restated
Employee Future Benefits	$ 14,963	$ (2,640)	$ 12,323

(ii) Consolidated Statement of Operations

	March 31, 2014		
	As previously reported	Correction	Restated
Expenses	$ 293,683	$ (366)	$ 293,317

3. **Correction of Prior Period Error (continued):**

(iii) Accumulated Operating Surplus

	March 31, 2014	April1, 2013
Accumulated operating surplus, as previously reported	$ 52,290	$ 52,131
Restatement:		
Restatement of April 1, 2013	2,640	2,640
Restatement of March 31, 2014	366	
Accumulated operating surplus, as restated	$ 55,296	$ 54,771

4. **Cash and cash equivalents:**

Major components of cash and cash equivalents are as follows:

	2015	2014
Cash	$ 7,727	$ 9,785
Cash equivalents	27,870	28,043
Restricted cash equivalents (note 20)	2,459	2,878
	$ 38,056	$ 40,706

5. **Deferred revenue and contributions:**

Deferred revenue is restricted for a specific purpose and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met.

Debt service contributions to fund sinking fund and interest payments are recovered from local government partners over the estimated service life of the related assets. These contributions may differ from the annual amortization of the related assets. Such differences are deferred to be recognized as a recovery in future periods.

The deferred revenue and contributions, reported on the consolidated statement of financial position, are made up of the following:

	2015	2014
Deferred revenue	$ 5,873	$ 4,139
Deferred service contributions	8,682	5,089
Total deferred revenue and contributions	$ 14,555	$ 9,228

5. Deferred revenue and contributions (continued):

Continuity of deferred revenue is as follows:

	2015	2014
Balance, beginning of year	$ 4,139	$ 2,570
Contributions received	1,734	1,569
	5,873	4,139
Contributions used		
Balance, end of year	$ 5,873	$ 4,139

Continuity of deferred contributions is as follows:

	2015	2014
Balance, beginning of year	$ 5,089	$ 4,946
Contributions from local governments	40,014	36,151
	45,103	41,097
Deferred local contributions used	(36,421)	(36,008)
Balance, end of year	$ 8,682	$ 5,089

6. Deferred capital contributions:

The deferred capital contributions, reported on the consolidated statement of financial position, are made up of the following:

	2015	2014
Deferred capital contributions	$ 191,379	$ 177,227
Deferred capital contributions -Vancouver Assets	628,281	628,560
Total deferred capital contributions	$ 819,660	$ 805,787

Deferred capital contributions include Federal and Provincial grants subject to amortization on the same basis as the related asset.

6. Deferred capital contributions (continued):

		2015		2014
Capital assets:				
Balance, beginning of year	$	177,227	$	187,135
Contributions and other additions		43,382		28,871
Impairment and disposals of capital assets		(2,881)		(33)
Internal transfer		(2,900)		
Amortization		(23,449)		(38,746)
Balance, end of year		191,379		177,227
Capital assets under lease (Vancouver Assets)				
Balance, beginning of year		628,560		620,613
Contributions and other additions		11,578		22,528
Internal transfer		2,900		
Amortization		(14,757)		(14,581)
Balance, end of year		628,281		628,560
Total deferred capital contributions	$	819,660	$	805,787

7. Debt:

BC Transit's debt, including principal and interest, is either held or guaranteed by the Province. BC Transit has not experienced any losses to date under this indemnity. Under the *British Columbia Transit Act*, BC Transit is subject to a borrowing ceiling limit of $500 million in total. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request.

The gross amount of debt and the amount of sinking fund assets available to retire the debt are as follows:

		2015		2014
Sinking fund bonds, weighted average interest rate of 4.70%, maturing at various dates to 2040, amorttzed trom b to 3U years	$	211,903	$	231,"140

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Gain on investments includes $279 (2014- $517) of realized gains on disposition of investments in sinking funds.

Sinking fund investments are managed by the British Columbia Investment Management Corporation and have cost and market values as follows:

7. Debt (continued):

	2015		2014	
	Cost	Market value	Cost	Market value
Money market funds	$ 17,197	$ 17,197	$ 5,984	$ 5,984
Provincial/Corporate bonds	71,779	84,092	82,782	88,143
Total	$ 88,976	$ 101,289	$ 88,766	$ 94,127

The total debt maturities for the next five years are as follows:

2016	$ 25,595
2017	6,378
2018	
2019	11,200
2020	1,828
Thereafter	167,051

In October 1992, BC Transit entered into an unsecured revolving credit facility with a Canadian Financial Institution totaling $10 million. The revolving credit may be terminated in whole or in part and shall be due on demand. Interest on the revolving credit is based on the prime lending rate which is a variable per annum reference rate of interest for loans made by the Bank of Canada in Canadian dollars. Interest accrues on a day to day basis. As of March 31, 2015 BC Transit has not drawn on the facility.

In November 2002, BC Transit entered into a loan agreement pursuant to section 54(1) of the *Financial Administration Act* with the Minister of Finance and Corporate Relations to lend a maximum principal amount not to exceed $90 million in Canadian currency. Term and conditions of the loan state the Minister will use reasonable commercial efforts to comply with the borrowing requirements of BC Transit however the terms and conditions of the loan are within the sole discretion of the Minister. The maximum term on the loan is one year and can be another term as approved by the Minister and is due upon maturity. Interest on the loan is based on money market rates. As of March 31, 2015 BC Transit has not drawn on the facility.

Debt sinking fund installments in each of the next five years are as follows:

2016	$ 12,638
2017	8,005
2018	6,780
2019	6,083
2020	4,631
Thereafter	33,232

8. Employee future benefits:

The employee future benefits liability reported on the statement of financial position is as follows:

	2015	2014
Accrued benefit obligation:		
Balance, beginning of year	$ 14,074	$ 12,323
Current benefit cost and event-driven expense	1,703	1,092
Interest	649	582
Actuarial loss	422	295
Benefits paid	(202)	(218)
Balance, end of year	16,646	14,074
Unamortized actuarial loss	1,336	4,264
Liability for benefits	$ 17,982	$ 18,338

Information about BC Transit's benefit plans is as follows:

	2015	2014
Non-pension post retirement benefits	$ 15,265	$ 16,322
Post employment benefits	953	400
Continuation of long term disability benefits	1,764	1,616
Total liability for benefits	$ 17,982	$ 18,338

Included in expenses is $422 (2014- $295) for amortization of the actuarial loss.

The unamortized actuarial loss on future payments is amortized over the expected period of the liability which is 8 years (2014- 10 years) for post employment benefits and 10 years (2014- 11 years) for post retirement benefits.

The actuarial assumptions adopted in mcnsuring BC Transit's accrued benefit obligations are as follows:

	2015	2014
Discount rate	2.2% - 2.7%	2.9%-3.6%
Expected future inflationary increases	2.6% - 5.15%	2.6%-5.15%
Weighted average health care trend - end of year	6.94% in 2015 grading to 4.29% in and after 2029	6.88% in 2014 grading to 4.50% in and after 2029
Dental and MSP trend -end of year	4.5%	4.5%

9. **Tangible capital assets:**

Cost	Balance, March 31, 2014	Additions	DiS!;20Sals	Balance, March 31, 2015
Land	$ 2,608	$	$	$ 2,608
Exchanges, shelters and other transit infrastructure	28,194	2,860		31,054
Buildings	49,722	1		49,723
Vehicles	389,253	49,606	(25,659)	413,200
Hydrogen chassis	11,780		(11,780)	
Other equipment	42,208	6,465		48,673
Capital projects in progress	61,613	71,635	(58,931)	74,317
Total	$ 585,378	$ 130,567	$ (96,370)	$ 619,575

Accumulated amortization	Balance, March 31, 2014	DiS!;20Sals	Amortization	Balance, March 31, 2015
Exchanges, shelters and other transit infrastructure	$ 6,128	$	$ 1,649	$ 7,777
Buildings	21,091		1,792	22,883
Vehicles	225,588	(24,943)	37,984	238,629
Hydrogen chassis	5,003	(6,180)	1,177	
Other equipment	26,855		3,770	30,625
Capital projects in progress				
Total	$ 284,665	$ (31,123)	$ 46,372	$ 299,914

Net book value	Balance March 31, 2014	Balance March 31, 2015
Land	$ 2,608	$ 2,608
Exchanges, shelters, and other transit infrastructure	22,066	23,277
Buildings	28,631	26,840
Vehicles	163,665	174,571
Hydrogen chassis	6,777	
Other equipment	15,353	18,048
Capital projects in progress	61,613	74,317
Total	$ 300,713	$ 319,661

9. Tangible capital assets (continued):

Cost	Balance, March 31, 2013	Additions	Disgosals	Balance, March 31, 2014
Land	$ 2,608	$	$	$ 2,608
Exchanges, shelters and other transit infrastructure	22,313	5,881		28,194
Buildings	42,441	7,281		49,722
Vehicles	374,639	31,442	(16,828)	389,253
Hydrogen components and chassis	52,648		(40,868)	11,780
Hydrogen fuel station	9,810		(9,810)	
Other equipment	39,007	3,223	(22)	42,208
Capital projects in progress	52,555	56,885	(47,827)	61,613
Total	$ 596,021	$ 104,712	$ (115,355)	$ 585,378

Accumulated amortization	Balance, March 31, 2013	Disposals	Amortization	Balance, March 31, 2014
Exchanges, shelters and other transit infrastructure	$ 4,468	$	$ 1,660	$ 6,128
Buildings	19,237		1,854	21,091
Vehicles	208,149	(16,759)	34,198	225,588
Hydrogen components and chassis	30,361	(40,868)	15,510	5,003
Hydrogen fuel station	6,370	(9,810)	3,440	
Other equipment	22,940	(21)	3,936	26,855
Capital projects in progress				
Total	$ 291,525	$ (67,458)	$ 60,598	$ 284,665

Net book value	Balance March 31, 2013	Balance March 31, 2014
Land	$ 2,608	$ 2,608
Exchanges, shelters, and other transit infrastructure	17,845	22,066
Buildings	23,204	28,631
Vehicles	166,490	163,665
Hydrogen components and chassis	22,287	6,777
Hydrogen fuel station	3,440	
Other equipment	16,067	15,353
Capital projects in progress	52,555	61,613
Total	$ 304,496	$ 300,713

9. Tangible capital assets (continued):

Assets under construction having a value of $74,317 (2014- $61,613) have not been amortized. Amortization of these assets will commence when the asset is available for service.

On November 26, 2013 the Province of BC confirmed completion of the Hydrogen Fuel Cell Pilot Project effective on the contract maturity date of March 31, 2014. The Hydrogen fuel station and hydrogen fuel components were fully amortized as at March 31, 2014. In December 2014, BC Transit received offers to purchase the hydrogen buses as part of its expression of interest posted on BC Bid, and elected not to proceed with these offers. Subsequent to the expression of interest, BC Transit has negotiated a non-binding offer from a third party bus supplier to acquire the hydrogen buses (chassis) in exchange for a parts credit of approximately $1 million. The full carrying value of the hydrogen chassis of $5.6 has been impaired down to its net realizable value, and $1 million has been reclassified to Assets Held for Sale.

During the year, $5,316 (2014- $71) of equipment was recognized as a write-down. A write-down of $716 was recognized when equipment was removed from service, and an impairment of $4,600 was recognized on the hydrogen fleet.

Interest capitalized for capital projects in 2015 was $1,372 (2014- $1,424).

10. Tangible capital assets under lease:

Capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to the South Coast British Columbia Transportation Authority ("SCBCTA") for their use pursuant to an Order in Council and operating lease and represent one of the Province's contributions toward public transportation in the Metro Vancouver service area.

The operating lease arrangements with SCBCTA for the Expo and Millennium Line guideways or system improvements include a nominal lease fee amount and expire in 2018 and 2016, respectively. The Expo lease has an available five-year renewal period.

On May 14, 2015, Bill-2, *BC Transportation Financing Authority Transit Assets and Liabilities Act*, was granted Royal Assent, effective May 21, 2015 ThP. Rill r..:'lls for the transfer of all of BC Transit's tangible capital assets under lease in the Greater Vancouver Regional District under lease to the BC Transportation Financing Authority (note 23).

Cost	Balance, March 31, 2014	Additions	Disposals	Balance, March 31, 2015
SkyTrain	$ 1,207,841	$ 6,069	$	$ 1,213,910
West Coast Express	128,848			128,848
Capital projects in progress	25,493	11,577	(6,069)	31,001
Total	$ 1,362,182	$ 17,646	$ 6,069	$ 1,373,759

10. Tangible capital assets under lease (continued):

Accumulated amortization	Balance, March 31, 2014	Disposals	Amortization expense	Balance, March 31, 2015
SkyTrain	$ 602,895	$	$ 10,892	$ 613,787
West Coast Express	79,093		4,295	83,388
Ca ital rejects in regress				
Total	$ 681,988	$	$ 15,187	$ 697,175

Net book value	Balance, March 31, 2014	Balance, March 31, 2015
SkyTrain	$ 604,946	$ 600,123
West Coast Express	49,755	45,460
Capital projects in progress	25,493	31,001
Total	$ 680,194	$ 676,584

Cost	Balance, March 31, 2013	Additions	Disposals	Balance, March 31, 2014
SkyTrain	$ 1,204,048	$ 3,793	$	$ 1,207,841
West Coast Express	128,848			128,848
Capital projects in progress	6,758	22,528	(3,793)	25,493
Total	$ 1,339,654	$ 26,321	$ (3,793)	$ 1,362,182

Accumulated amortization	Balance, March 31, 2013	Disposals	Amortization expense	Balance, March 31, 2014
SkyTrain	$ 592,180	$	$ 10,715	$ 602,895
West Coast Express	74,798		4,295	79,093
Ca ital rejects in regress				
Total	$ 666,978	$	$ 15,010	$ 681,988

Net book value	Balance, March 31, 2013	Balance, March 31, 2014
SkyTrain	$ 611,868	$ 604,946
West Coast Express	54,050	49,755
Capital projects in progress	6,758	25,493
Total	$ 672,676	$ 680,194

11. Victoria Regional Transit Commission:

BC Transit holds funds in trust on behalf of the Victoria Regional Transit Commission. These funds are not included in the consolidated statement of financial position. The cash held in trust and transactions during the year are as follows:

	2015	2014
Cash held in trust, beginning of year	$ 10,394	$ 8,461
Revenue:		
Fuel tax	11,871	11,688
Property tax	29,939	28,131
Interest earned	261	148
Government transfers	(40,677)	(38,034)
Cash held in trust, end of year	$ 11,788	$ 10,394

12. Commitments:

BC Transit has outstanding commitments as summarized below:

	2016	2017	2018	2019	2020
Operating Leases	1,350	1,396	1,374	1,535	1,535
Facilities	9,323	222	222	222	222
Vehicle Purchases	31,314				
Fixed price fuel commitments	3,598				
Information Technology	682	250	250		
Other	755				
	47,022	1,868	1,846	1,757	1,757

13. Contingent liabilities:

The nature of BC Transit's activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2015 management has determined that BC Transit has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the financial position of BC Transit.

14. Government transfers:

The transfers reported on the statement of operations are:

	2015	2014
Revenue		
Provincial grants:		
Operating	$ 96,211	$ 95,415
Im airment on ca ital assets	1,985	
	98,196	95,415
Deferred Capital Contributions	20,349	38,364
	118,545	133,779
Federal grants:		
Deferred Capital Contributions	3,100	382
Local government contributions:		
Transfers under cost share agreements	88,315	84,984
	91,415	85,366
Total revenues	$ 209,960	$ 219,145

15. Classification of expense by object:

	Budget	2015	2014
Contracted salaries, wages and benefits	$ 78,999	$ 78,430	$ 74,695
Salaries, wages and benefits	68,738	66,933	67,625
Amortization of capital assets	56,102	46,372	60,596
Fuel and lubricants	32,473	28,278	30,325
Fleet Maintenance	27,473	26,116	23,512
Interest	13,395	10,478	10,794
Insurance	4,665	4,491	5,384
Leases and taxes	2,560	2,495	2,501
Major projects and initiatives	6,251	1,059	3,397
Local yuvtlrrunenlexpenses	2,087	2,062	2,020
Marketing and communications	2,116	2,055	1,874
Taxi programs	1,733	1,769	1,778
Facility maintenance	3,194	3,455	2,712
Information systems	2,319	2,577	2,224
Corporate expenses	1,790	2,041	1,577
Professional fees	965	1,290	1,540
Travel and meetings	1,043	710	763
Other	665		
Total OE!erating expenses	$ 306,568	$ 280,611	$ 293,317

16. Additional information for the Statement of cash flows:

		2015		2014
Non-cash charges to operations:				
Amortization of debt discount	$	38	$	38
Amortization of tangible capital assets		61,559		75,608
Amortization of prepaid lease		302		1,440
Loss (Gain) on sale of tangible capital assets				(16)
Amortization of deferred capital contributions		(38,206)		(53,327)
	$	23,693	$	23,743
Changes in non-cash operating working capital:				
Accounts receivable	$	3,390	$	(3,828)
Accounts payable and accrued liabilities		7,758		1,008
Provincial funding payable		2,074		(3,747)
Deferred revenue and contributions		3,260		2,407
Employee future benefits		2,572		1,751
Inventories		(366)		(652)
Prepaid expenses		(169)		(117)
	$	18,519	$	(3,178)

17. Financial instruments:

(a) Fair value:

The carrying value of cash and cash equivalents, assets held for resale (note 9), accounts receivable and accounts payable and accrued liabilities, approximate their fair value due to the relatively short periods to maturity of the instruments. Debt sinking funds are reflected on the statement of financial position at fair value. The fair value of long-term debt at March 31, 2015 is $211,903 (2014- $231,140).

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts for financial instruments. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

(b) Risks associated with financial assets and liabilities:

BC Transit is exposed to financial risks from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange risks as well as credit risk and liquidity risk.

17. Financial instruments (continued):

(b) Risks associated with financial assets and liabilities (continued):

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of commodity price risk, interest rate risk, foreign exchange risk and credit risk as discussed below.

Commodity price risk:

BC Transit is exposed to commodity price risk. Commodity price risk and volatility has a significant impact on BC Transit's fuel costs. Management continually monitors the exposure to commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, entering into physical fixed price agreements to fix all or a portion of fuel prices with a supplier, and/or the potential to enter into financial commodity derivative contracts. Management does not have the authority under the *British Columbia Transit Act* to enter into financial commodity derivative contracts directly. The ability for management to execute physical hedge agreements with suppliers is governed under formal policies and is subject to limits established by the Board of Directors. Management entered into a fixed price physical supply contract during the year for operational purposes fixing certain fuel purchases during fiscal 2015 as described in note 12.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate from changes in market interest rates. BC Transit is exposed to interest rate risk to the extent of changes in the prime interest rate. BC Transit may from time to time enter into interest rate swap contracts to manage exposure to interest rates and cash flow risk. No such derivative contracts were entered into during the year.

Foreign exchange risk:

BC Transit is exposed to currency risk on purchases and loans denominated in the U.S dollar. BC Transit periodically makes commitments to acquire certain capital assets, primarily transit vehicles, from suppliers requiring payment in either US dollars or pounds sterling. These risks are monitored and can be mitigated by management by entering into foreign currency option agreements. There were no such arrangements outstanding as at March 31, 2015.

17. Financial instruments (continued):

(b) Risks associated with financial assets and liabilities (conti11ued)

Sensitivity analysis:

The following table is a sensitivity analysis indicating the impact on net revenue (expenditures) of a change in each type of market risk discussed above. The sensitivity analysis is based on reasonable possible movement within the forecast period, being one year. These assumptions may not be representative of actual movements in these risks and should not be relied upon. Given the volatility in the financial and commodity markets, the actual percentage changes may differ significantly from the outcomes noted below. Each risk is contemplated independent of other risks.

1% change Interest rate risk Foreign exchange risk	$	291 500

Liquidity risk:

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and funding management initiatives. Accounts payable and accrued liabilities are due in the next fiscal year. Maturity of long term debt is disclosed in note 7. Other commitments with future minimum payments are disclosed in note 12.

Credit risk:

Credit risk is the potential for financial loss to BC Transit if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents and debt sinking funds where they are invested in Canadian Money Market and Bond Funds. It is management's opinion that BC Transit is not exposed to any significant credit risk due to the credit worthiness of the investments.

(c) Capital disclosures:

BC Transit defines capital as accumulated surplus plus deferred capital contributions. BC Transit receives the majority of these operating and capital funds from Federal, Provincial or from municipal govemment partners.

BC Transit's objective when managing capital is to meet its current Service Plan initiatives with the current funding available. BC Transit manages its capital structure in conjunction with the Province and makes adjustments to its Service Plan and related budgets based on available government funding. The focus is to ensure that service levels are preserved within the funding restrictions by the Province and municipal partners.

17. Financial instruments (continued):

(c) Capital disclosures (continued):

BC Transit is not subject to debt covenants or other restrictions with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined by the funding party. BC Transit has complied with the external restrictions on any external funding provided.

18. Related party transactions:

As a Crown Corporation of the Province, BC Transit and the Province are considered related parties. All transactions between BC Transit and the Province are considered to possess commercial substance and are consequently recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions and balances have been disclosed elsewhere in the financial statements.

19. Impact of accounting for Government Transfers in accordance with Section 23.1 of the *Budget Transparency and Accountability Act*:

As noted in the significant accounting policies, note 2(a), Section 23.1 of the *Budget Transparency and Accountability Act* and Restricted Contributions Regulation 198/2001, require BC Transit to recognize non-capital government transfers into revenue in the period the restriction the transfer is subject to is met, and also require BC Transit to recognize government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized into revenue. The impact of this difference on the consolidated financial statements of BC Transit is as follows:

As at March 31, 2015- increase in annual surplus by $18,923 (2014- ($34))

March 31, 2015 – increase in accumulated surplus by $833,459 (2014 – $814,536), a decrease in deferred capital contributions by $819,660 (2014- $805,787), and a decrease in deferred revenue and contributions by $13,799 (2014- $8,749).

20. Restricted Cash Equivalents:

In January 2010, the Board of Directors approved the withdrawal from the Transportation Property and Casualty Inc. Program ("TPCCP"). As a replacement to TPCCP, BC Transit procured a comprehensive stand-alone insurance coverage program effective April 1, 2010 which is renewed annually. Claims which have been registered and served prior to the withdrawal from the TPCCP program, continue to be settled in an orderly manner and BC Transit will continue to monitor these claims. $1,804 (2014 - $2,878) remains in restricted cash equivalents to offset other potential future claims (note 4).

As of March 31, 2015, BC Transit holds $655 (2014 - $Nil) in restricted cash for vehicle replacements ($140 – 2015, $Nil – 2014) and preventive maintenance and major repairs ($515- 2015, $Nil- 2015). The restricted cash for vehicle replacements is specific to transit systems that are providing BC Transit with prepayments for future vehicle acquisitions.

21. Economic Dependency:

BC Transit is dependent on receiving government transfers from the Province of BC and Local Government Partners for its continued existence and ability to carry out its normal activities.

22. Comparative figures:

Certain of the comparative figures have been reclassified to conform with current year's consolidated financial statement presentation.

23. **Subsequent events:**

On May 14, 2015, Bill-2, *BC Transporlation Financing Authority Transit Assets and Liabilities Act*, was granted Royal Assent, effective May 21, 2015. The Act calls for the transfer of all of BC Transit's tangible capital assets under lease in the Greater Vancouver Regional District to the BC Transportation Financing Authority. The transfer will occur through the Consolidated Statement of Financial Position, with the removal of the tangible capital assets under lease and the related deferred capital contributions, and an offsetting adjustment to accumulated operating surplus.

Appendix A: Subsidiaries and Operating Segments

BC Transit has no subsidiaries or operating segments.

Appendix B: Additional Information

Organizational Overview

The following hyperlinks provide information on BC Transit's organizational overview, including a summary of BC Transit's business, the public purpose served by BC Transit, and the services provided.

BC Transit's enabling statute, the *British Columbia Transit Act*, can be found on the BC Laws Web site.

BC Transit's mandate, as provided in Section 3.1 of the enabling statute, can be found on the BC Laws Web site .

BC Transit's vision, mission, and values can be found at http://bctransit.com/*/about.

BC Transit's business areas are guided by the following major priorities which can be found at http://bctransit.com/*/corporate-reports/strategic-plan-2030/proposal/priorities.

BC Transit's business areas include a wide range of management services that benefit all of the transit systems in the province. Information about this shared services model can be found at http://bctransit.com/*/corporate-reports/bc-transit-advantage.

BC Transit's principal partners, clients, and stakeholders in the Capital Regional District can be found at http://bctransit.com/*/about/funding-and-governance/victoria.

BC Transit's principal partners, clients, and stakeholders in other parts of the province (outside Metro Vancouver) can be found at http://bctransit.com/*/about/funding-and-governance/regional.

A description of how BC Transit's different types of transit services are delivered can be found at http://bctransit.com/*/corporate-reports/strategic-plan-2030/today.

The scope of services BC Transit provides to the public can be found at http://bctransit.com/*/about/facts/corporate.

BC Transit's corporate reports, including provincial Service Plans and Annual Reports, can be found at http://bctransit.com/*/corporate-reports.

Corporate Governance

The following hyperlinks provide information on BC Transit's system of governance.

The role and membership list of BC Transit's Board of Directors can be found at http://bctransit.com/*/about/funding-and-governance/board-of-directors.

The names and job titles of BC Transit's Senior Leadership Team can be found at http://bctransit.com/*/about/executive.

BC Transit's governance principles and information about BC Transit's funding model can be found at http://bctransit.com/*/about/funding-and-governance.

Contact Information

The location of BC Transit's head office can be found at http://bctransit.com/*/about/contact.

A list of BC Transit's transit systems can be found at http://bctransit.com/*/choose-transit-system.

Service Plan Performance Measure Definitions

Conventional passenger trips per service hour is measured by dividing conventional passenger trips by conventional service hours. The ratio indicates the level of effectiveness of, and the demand for, transit services as provided. The more demand for services as provided will result in an increase of passenger trips per service hour.

Custom passenger trips per service hour is measured by dividing custom passenger trips by custom service hours. The ratio indicates the level of effectiveness of, and the demand for, custom transit services as provided. The more demand for services as provided will result in an increase of passenger trips per service hour. It is important to note that because custom transit has the goal of providing service area coverage and accessibility to those who cannot access fixed route service, it is unlikely to have high passenger per service hour results. The key is to balance these services with high passengers per service hour results in the fixed-route transit services where there is high demand. Note that this metric excludes taxi passenger trips.

Conventional operating cost recovery is measured by dividing annual conventional passenger and advertising revenue by conventional operating costs. The ratio indicates the proportion of costs recovered from passenger and advertising revenue within conventional transit. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. Under the *British Columbia Transit Act*, local governments are responsible for establishing fares and making decisions with respect to trade-offs between fares and property taxes to fund transit service. These decisions can have an impact on the cost recovery ratio as they may reduce passenger and advertising revenues. Revenue forecasts do not assume fare increases as fares are set by local government partners.

Custom operating cost recovery is measured by dividing annual custom passenger and advertising revenue by custom operating cost. The ratio indicates the proportion of costs recovered from passenger and advertising revenue within custom transit. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. The cost to provide custom services is extremely high, and capacity constraints make it challenging to increase ridership. Revenue forecasts do not assume fare increases as fares are set by Local Government partners.

Conventional operating cost per passenger trip reflects annual conventional operating cost divided by conventional passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Increasing cost per passenger indicates that costs are growing faster than ridership.

Custom operating cost per passenger trip reflects annual custom operating cost divided by custom passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Increasing cost per passenger indicates that costs are growing faster than ridership. Custom has a much higher operating cost per passenger trip relative to conventional transit, yet there is limited ability to increase revenue due to system capacity constraints.

Proportion of Transit Future Plans completed in major urban centers measures the completion of planning to align local land use plans, including efforts to increase density and build more pedestrian and cycling paths, with investments in transit services and infrastructure.

Percentage of communities that have had a service optimization review completed in the past five years measures BC Transit's ability to provide transit systems with timely reviews and recommendations to increase transit system efficiency and effectiveness. These may include discussion documents, service reviews, evaluations and others.

Customer satisfaction measures the average rating of customer tracking survey respondents when asked to rate their overall transit experience from one ("very poor") to five ("excellent"). This measure tracks the effectiveness of BC Transit in meeting customer expectations.

Online communication strategy effectiveness measures the average rating of customer tracking survey respondents when asked to rate the quality of the online information, ranging from one ("very poor") to five ("excellent"). This measure tracks the quality, value and effectiveness of BC Transit's information online (for example, BC Transit's corporate website, Facebook, Twitter, etc.).

Brand recognition is based on the per cent of customer tracking survey respondents who recognize BC Transit's role in the delivery of transit service in their local transit system. This tracks the effectiveness of marketing and communication programs at building awareness of BC Transit and its leadership role in providing sustainable transportation services to British Columbia, since this messaging is embedded in all branding activities.

Conventional service hours per capita measures the number of conventional service hours delivered divided by the population that lives within 400m of fixed route bus service. This demonstrates how much service is invested in, and provided to, the population that lives within a reasonable distance of service routes. This is a reflection of the transit system rather than the performance of BC Transit.

Custom service hours per capita measures the number of custom service hours delivered divided by the population that lives within 1.5km of fixed route bus service. This demonstrates how much service is invested in, and provided to, the population that lives within a reasonable distance of service routes. This is a reflection of the transit system rather than the performance of BC Transit.

Number of passenger injury claims per million passenger trips measures passenger safety. Maintaining and improving safety is of primary importance in BC Transit's mission and values. A safe trip from start to finish is a fundamental commitment to both employees and customers. The way in which this measure is calculated reflects passenger injury claims through ICBC and is consistent with industry standard.

Workplace injuries per 100 employees measures the Total Recordable Injury Rate (TRIR). TRIR is a measure of the rate of recordable workplace injuries, normalized per 100 workers per year. Maintaining and improving safety is of primary importance in BC Transit's mission and values.

Percentage of planned service delivered in conventional transit systems measures the percentage of trips that delivered as scheduled. This measure is important to track, as broken and cancelled trips have a negative impact on the customer experience and the overall perception of transit. It also reflects BC Transit's ability to manage preventative issues and respond to emerging challenges on the road while delivering the service that is expected, and relied upon, by customers.

Carbon intensity per service hour measures the ability of BC Transit to reduce its direct Greenhouse Gas Emissions (GHG) and supports the *Provincial Transit Plan* goal to reduce GHG emissions by 4.7 million tonnes by 2020. Carbon intensity is calculated using the Provincial Government's SMARTTool methodology and is measured by calculating the total emissions of BC Transit's fleet, facilities, and paper usage in carbon dioxide equivalent tonnes.

Employee engagement measures an employee's involvement with, commitment to, and satisfaction with work. Engagement is assessed through a survey that models what aspects of the workplace influence employee engagement characteristics.

Partner satisfaction measures the average rating of local government transit partner respondents when asked to rate their customer service received from BC Transit from one ("very poor") to five ("excellent").

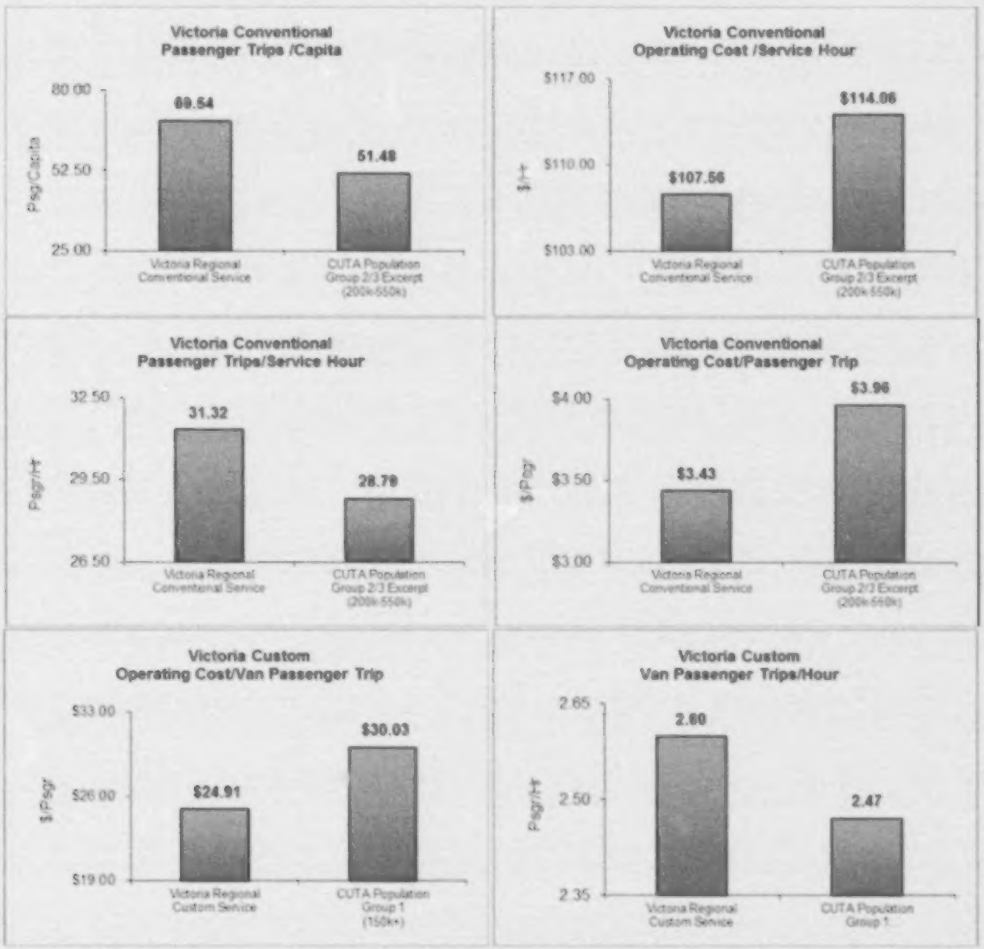
Comparison to Industry Benchmarks

A review of the performance of the Victoria Regional Transit System and Regional Transit Systems elsewhere in the country provided the following summary of comparative results based on figures supplied by the Canadian Urban Transit Association (CUTA).

Performance of BC Transit's systems in 2013/14 is also benchmarked against comparable Canadian transit systems using the most recently available data from CUTA for 2013 or 2013/14. The performance ratios selected are the most common measures used by the North American transit industry to gauge and compare service effectiveness and efficiency.

Victoria Regional Transit System Benchmarks

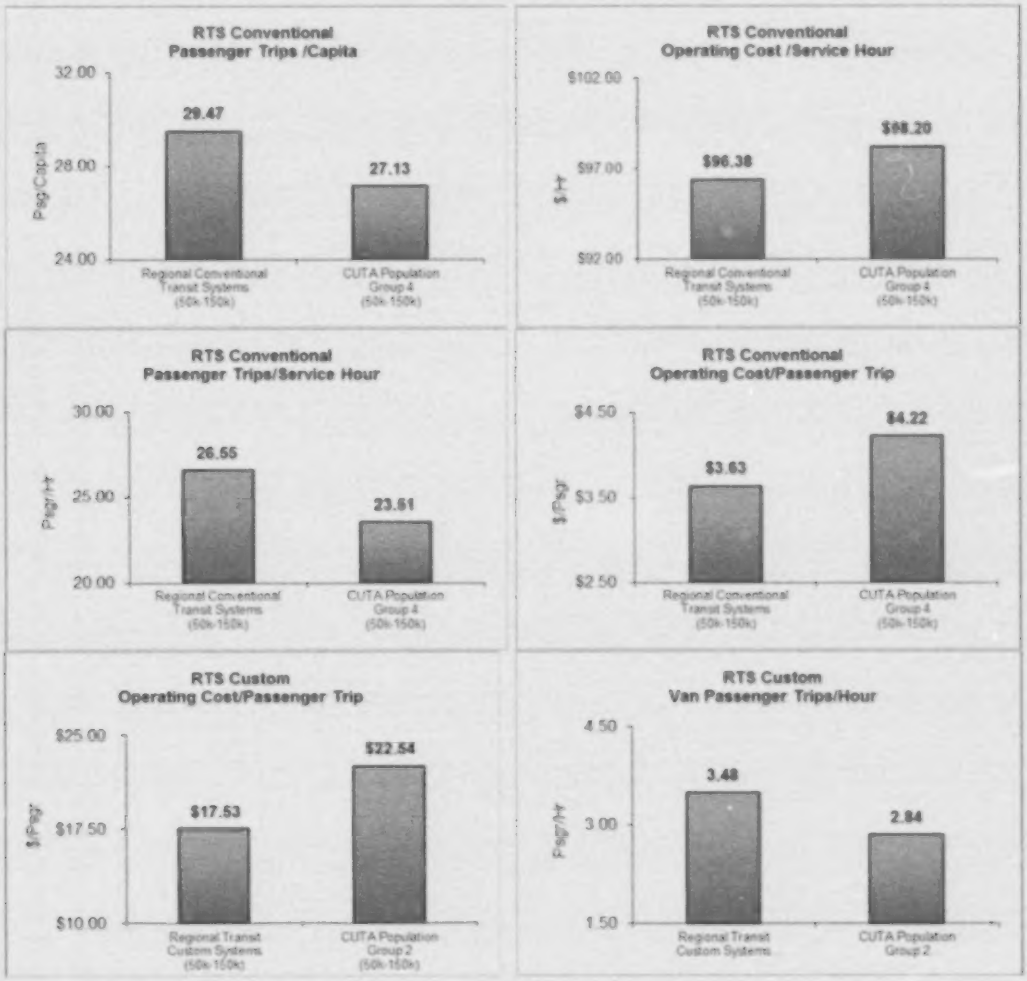
The Victoria Regional Transit System conventional service is compared with similar systems reporting to CUTA (service area population 150,000 – 499,000). The Victoria custom service is compared with similar systems in the CUTA Specialized Transit Population Group 1 (service area population greater than 150,000).



Regional Transit System Benchmarks

In the case of the Regional Transit Systems, the six largest conventional transit systems are averaged and compared with the CUTA Urban Transit Population Group 3 (service area population 50,000 – 150,000).

The Regional Transit Systems custom program averages the eighth largest systems to compare with the CUTA Specialized Transit Population Group 2 (service area population 50,000 – 150,000).



Performance Summary Victoria Regional

The results for conventional and custom transit in the Victoria Regional Transit System are presented below.

Victoria Conventional Transit *Service, Effectiveness & Efficiency*	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Corporate Target	2014/15 Variance Year over Year		2014/15 Variance to Target	
Service hours (000s)	664	723	763	802	797	775	799	**806**	808	7	0.9%	(2)	(0.2%)
Passenger trips (000s)	22,386	23,716	24,456	24,849	24,952	23,705	25,020	**25,229**	25,323	209	0.8%	(94)	(0.4%)
Passenger trips per service hour	33.7	32.8	32.0	31.0	31.3	30.6	31.3	**31.3**	31.3	(0.0)	(0.0%)	(0.0)	(0.1%)
Operating cost per service hour	$89.93	$93.77	$94.52	$95.08	$101.05	$104.42	$108.58	**$110.76**	$113.01	($2.18)	(2.0%)	$2.25	2.0%
Operating cost per passenger trip	$2.67	$2.86	$2.95	$3.07	$3.23	$3.41	$3.47	**$3.54**	$3.61	($0.07)	(2.0%)	$0.07	1.9%
Operating cost recovery	52%	48%	46%	46%	46%	45%	43%	**42%**	41%	(1%)	(2.3%)	1%	2.4%

Victoria Custom Transit *Service, Effectiveness & Efficiency*	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Corporate Target	2014/15 Variance Year over Year		2014/15 Variance to Target	
Service Hours (000s)	109	114	115	116	117	120	120	**121**	122	1	0.8%	(1)	(0.8%)
Passenger trips (000s)	375	378	392	401	401	407	410	**402**	411	(8)	(2.0%)	(9)	(2.2%)
Passenger trips - van only (000s)	285	285	295	298	300	306	313	**307**	313	(6)	(1.9%)	(6)	(1.9%)
Passenger trips per service hour - excl.taxi	2.6	2.5	2.6	2.6	2.6	2.6	2.6	**2.5**	2.6	(0.1)	(2.7%)	(0.0)	(1.1%)
Operating cost per service hour - excl.taxi	$53.15	$54.93	$55.88	$59.45	$60.80	$61.98	$64.97	**$66.39**	$68.00	($1.38)	(2.1%)	$1.65	2.4%
Operating cost per passenger trip - excl. taxi	$20.27	$22.01	$21.83	$23.14	$23.71	$24.31	$24.91	**$26.15**	$26.50	($1.24)	(5.0%)	$0.35	1.3%
Operating cost recovery - excl. taxi	6%	5%	5%	5%	5%	5%	4%	**4%**	4%	0%	0.0%	0%	0.0%

Performance Summary Regional Transit Systems

The results for conventional and custom transit in the Regional Systems are presented below.

Regional Conventional Transit *Service, Effectiveness & Efficiency*	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Corporate Target	2014/15 Variance Year over Year		2014/15 Variance to Target	
Service hours (000s)	772	854	879	899	907	909	943	**962**	968	19	2.0%	(6)	(0.6%)
Passenger trips (000s)	20,408	21,776	22,152	23,910	23,760	23,551	23,693	**23,596**	24,283	(97)	(0.4%)	(687)	(2.8%)
Passenger trips per service hour	26.4	25.5	25.2	26.8	26.2	25.9	25.2	**24.5**	25.1	(0.6)	(2.5%)	(0.6)	(2.2%)
Operating cost per service hour	$80.85	$87.36	$90.04	$92.39	$97.29	$100.51	$101.39	**$102.76**	$105.77	($1.38)	(1.4%)	$3.00	2.8%
Operating cost per revenue passenger	$3.06	$3.42	$3.57	$3.44	$3.71	$3.88	$4.03	**$4.19**	$4.22	($0.16)	(3.9%)	$0.03	0.6%
Operating cost recovery	35%	32%	31%	32%	31%	30%	30%	**29%**	29%	(1%)	(3.3%)	0%	0.0%

Regional Custom/Para Transit *Service, Effectiveness & Efficiency*	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Corporate Target	2014/15 Variance Year over Year		2014/15 Variance to Target	
Service hours (000s)	282	321	329	337	349	352	352	**359**	368	7	2.0%	(9)	(2.4%)
Passenger trips (000s)	1,515	1,706	1,781	1,823	1,928	1,936	1,835	**1,851**	1,888	16	0.9%	(37)	(2.0%)
Passenger trips - van only (000s)	1,363	1,540	1,611	1,647	1,747	1,751	1,654	**1,668**	1,703	14	0.8%	(35)	(2.1%)
Passenger trips per service hour - excl.taxi	4.8	4.8	4.9	4.9	5.0	5.0	4.7	**4.6**	4.6	(0.1)	(1.1%)	0.0	0.4%
Operating cost per service hour - excl.taxi	$55.20	$59.37	$62.96	$64.53	$67.79	$69.36	$69.85	**$71.68**	$73.80	($1.83)	(2.6%)	$2.12	2.9%
Operating cost per passenger trip - excl.taxi	$11.42	$12.36	$12.86	$13.20	$13.54	$13.94	$14.86	**$15.43**	$15.95	($0.56)	(3.8%)	$0.52	3.3%
Operating cost recovery - excl. taxi	16%	14%	14%	14%	13%	13%	13%	**12%**	12%	(1%)	(7.7%)	0%	0.0%